Supplement to

INFORMATION LETTER

NATIONAL CANNERS ASSOCIATION

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CEILING PRICE REGULATION 22

Canned fish, canned meats (except semi-sterile), baked beans, macaroni and spaghetti and certain other nonseasonal canned foods are being removed from the General Ceiling Price Regulation, the freeze order of January 26. These items along with many other manufactured products will be priced under CPR 22 beginning May 28. Canned fruits and vegetables and juices, soups and baby food are not covered by this regulation. These canned food items are to continue to be priced under the General Ceiling Price Regulation until special price regulations are written for them.

Canned food items under CPR 22 are to be priced as follows:

(1) Canner chooses his base price, which must be the highest price at which he sold to his largest class of purchaser during the base period (base period is any calendar quarter chosen by the canner from July 1, 1949, to June 24, 1950).

(2) Canner may add to his base price the difference between his labor costs during his base period and his labor costs as of March 15, 1951.

(3) Canner may add to his base price the difference between his material costs during the base period and those costs as of December 31, 1950 (material costs include all materials entering directly into the manufacturing of the canned product, such as tin cans, fuel, etc., and raw material, with certain exceptions for dry beans and other parity farm products. Furthermore, increases in costs of fiber shipping cases, glass containers and closures up

to March 15, 1951, may be added).

(4) In the case of a product packed from the raw material for which a legal minimum price has been established by law (baked beans, etc.) canner may add to his base price the difference between his raw material costs during the base period and the price paid for raw material at the time of packing and pricing the product. No further increases for raw material costs may be added after the Secretary of Agriculture announces that the price of the raw material has reached the legal minimum.

Canner's ceiling price for any product is the sum total of the above additions to his base price. The canner must report immediately the calculation of his ceiling price to the Director of Price Stabilization. If these calculations result in a price ceiling higher than the canner's price ceiling under the freeze order, the canner may not sell at the new ceiling price until 15 days after notifying OPS. If at the end of the 15-day period OPS has not notified the canner of its disapproval, canner is privileged to sell at his new ceiling price.

The regulation provides for various alternate methods of establishing the base price, and also for calculating labor and material increases. Thus the order should be studied carefully before attempting to calculate a ceiling price.

The seasonal fruits and vegetables exempted by CPR 22 are not clearly defined in the regulation. If the phrase "products packed at time of harvest" is construed literally, the pack of such products as pears, held for ripening, carrots, beets, applesauce and other items packed from supplies held in storage as well as catsup, etc., must be priced in part under the freeze order and in part under this regulation. N. C. A. has requested a clarification of the status of these and other similar products but OPS attorneys up to the time of going to press were not able to provide the answer, but have promised to clarify these points before this regulation becomes effective May 28.

The WHAT *and* WHY

of the General Manufacturers' Order CPR 22

Office of Price Stabilization

This Fact Sheet Tells You—

WHAT IT IS

Ceiling Price Regulation 22 is an order of the Office of Price Stabilization setting ceiling prices for many manufactured products *at a pre-Korean base plus actual increases in materials costs through 1950* (later for some goods) and *increases in factory payroll costs through March 15, 1951.*

The base period is April 1 through June 24, 1950, or any one of the three preceding calendar quarters selected by the seller.

Ceiling price is the highest base period price of a commodity, with adjustments for factory payroll and materials cost increases.

Sales terms must be wholly consistent with base period delivery terms, differentials for purchaser classes, discounts, premiums, and other conditions.

WHEN IT IS EFFECTIVE

Effective date of CPR 22 is May 28, 1951. Manufacturers *must notify OPS by registered mail* as to proposed ceiling prices higher than those under the General Ceiling Price Regulation and *must wait 15 days* after OPS receives notification before selling at the new figures. Notification *may* be given to OPS before May 28.

WHO IS COVERED BY IT

CPR 22 applies to *sales by all manufacturers* in the continental United States, including exporters, *except* sales at retail and sales of commodities specifically exempted. Manufacturers with last fiscal year gross sales under $250,000 have the option of using CPR 22 or remaining under the GCPR.

Manufacturer means a producer, processor, assembler, finisher, printer, or fabricator; it *does not* mean anyone who merely packages, labels, markets, or sells a commodity or combines commodities without substantially altering them.

An estimated 75,000 industrial concerns are directly affected by CPR 22

Examples of manufactured products covered:

House and office equipment—radios, TV sets, refrigerators, washing machines, ranges, sewing machines, furniture, bedding, housewares, office supplies, typewriters, business machines, etc.

Processed food and grocery products—nonseasonal items like candy, breakfast cereals, crackers and cookies, ice, baked beans, pickles, peanut butter, sauces and seasonings, baking powder, soup mixes, meat extracts, dog and cat food, gelatin desserts, olives, yeast.

Miscellaneous—many building materials, most chemicals, many textile products, tires and rubber products, paper and paper products. (See exemptions.)

WHO IS EXEMPTED FROM IT

CPR 22 *does not apply* to sales by manufacturers of the following commodities, most of them now or to be covered by other OPS regulations or specifically exempted:

Raw agricultural products.

Raw forest products.

Fuels—
- *Gas, electricity, and steam.*
- *Petroleum,* natural gas, petroleum fuels and lubricants.
- *Coal and coke.*

Industrial materials—
- *Lumber* and allied products.
- *Metals and minerals,* including ores, alloys, scrap, nonmetallic minerals, fabricated structural steel.

Repairs and replacement parts when sold by manufacturer of assembled article for its repair.

Chemicals—
- Crude and synthetic rubber.
- Synthetic textile fibers and yarns.
- Drugs and cosmetics.
- Household soaps and cleansers.
- Ethyl and butyl alcohol, acetone.
- Paints and varnishes.
- Naval stores.
- Most fats and oils, including whale and fish oil.
- Natural dyeing materials.
- Inedible tallows and greases.
- Oilseeds and nuts retaining their identity in normal trade practice.
- *Others* like glycerin, soap stock, glue stock, oleo stock, gums, waxes.

Hides and skins, including cattle, hog, sheep, horse, deer, alligator, snake.

Leather, tanned and finished.

Stone, clay, and glass products, including glass containers, Portland cement, lime, sand, gravel, merchant clays.

Textiles, including wood fibers, wool yarn and fabrics, wood and synthetic yarn floor coverings.

Apparel and footwear except rubber footwear.

Tobacco products.

Passenger automobiles.

Food and kindred products—
- Fresh meats and poultry.
- Dairy products.
- Canned, frozen, dried *seasonal* fruits and vegetables and their juices.
- Canned soups and baby foods.
- Flour and *perishable* bakery products.
- Refined sugar.
- Wines and distilled spirits.
- Soft and malt beverages.
- Frozen and dried eggs.
- Chewing gum.
- *Others,* including mixed feeds, fish feed products, soybean oil meal, cottonseed cake and meal, lard, sausage except dry, rice, blackstrap molasses.

Precious jewelry.

Works of art.

Publications, including books, magazines, newspapers, periodicals, motion pictures, maps, charts, globes.

Lead pencils.

PURPOSE OF IT

CPR 22 has three main purposes:

To roll back margins widened after the Korean outbreak—

Many companies raised prices beyond the point justified by labor and materials cost increases.

To restore more normal cost-price relationships—

The price structure frozen by the General Ceiling Price Regulation was unbalanced. Some industries lagged behind cost increases, others outran them in price; competing companies charged divergent prices; quotations for individual products within a single company were often out of scale.

To grant needed relief to manufacturers from the general freeze order—

Prices lagged behind cost increases in some industries, with the general freeze hampering profitable operations. Companies which followed voluntary pricing standards last December were handicapped as against competitors ignoring them.

The regulation aims to fill the gap between the GCPR and additional regulations designed for separate problems of individual industries:

OPS is moving toward ironing out distortions and inequities. Regulations covering many retail businesses have been issued; specific orders for some manufacturing branches have been prepared; a wholesalers' order is in the work stage.

PRINCIPLES BEHIND IT

The formula of CPR 22 is a return to pre-Korean prices adjusted for increases in manufacturing costs in the interim:

Between July 1949 and June 1950 prices and costs were in general balance yielding satisfactory margins to most industries. If that margin was sufficient, then the formula should be sound for current production.

Increases are limited to advances in manufacturing costs affecting labor and materials *actually* required for production:

Several methods of calculating costs are provided to meet needs of manufacturers with different accounting and record systems.

Increases may not reflect changes in overhead costs such as major repair, expansion, general administration, sales, and research:

Such costs cannot be allocated to individual commodities. Unit overhead varies with volume; for most manufacturers, output has gone up since Korea and unit overhead cost has declined.

Calculations will be repeated later to give effect to the impact on costs of CPR 22 and other OPS orders:

Products of one manufacturer are raw materials for another; but it would be impractical for each producer to postpone calculations until other ceiling prices down the line were determined.

CPR 22 provides in most cases only for cost increases up to December 31, 1950:

Price increases based on current materials costs which the regulation itself may roll back must be avoided. Decreases since Korea must also be taken into account. *For imported materials, basic ores and metals, raw materials, and others not under the order, cost increases may be computed to March 15, 1951. Provision is also made for farm products selling below parity.*

Every increase in cost is not automatically translated into rising prices:

This would mean rubber-stamped inflation. Improved productivity, economies, and changes in volume unit cost destroy exact parallels between prices and unit costs.

The cut-off date for labor and materials attempts to break the cost-price cycle:

An earlier date would increase petitions for relief.

A later date would result in unjustifiably high prices in too many instances.

Cost increases after December 31 or March 15 will not be ignored but are not automatically reflected through CPR 22.

Cost increases not recognized under the regulation which reduce profits unfairly, when demonstrated, will be the basis for adjustments.

Tailored regulations will be substituted for CPR 22 as rapidly as possible to take care of specific industry situations.

HOW TO OPERATE UNDER IT

CPR 22 deals with repricing methods for commodities delivered or offered between July 19, 1949, and June 24, 1950. *In figuring his new ceilings,* the manufacturer starts with his base period price and makes adjustments for increases in labor and materials costs. *If there have been no increases,* he may retain his base prices without calculating adjustments.

Labor cost adjustments may be calculated as in the following example:

Net sales for last fiscal year in 1950	$1,000,000	
Factory payroll in same period	300,000	
Labor cost ratio		30%
Last payroll in base period selected	6,000	
Same payroll at Mar. 15, 1951, rates	6,500	
Increased "fringe benefits"	100	
Recomputed payroll	6,600	
Wage increase factor ($600÷$6,000)		10%
Labor cost adjustment factor (10% of 30%)		3%

The 3% is added to a commodity's base period price.

This computation may apply to the entire business or to a unit with regularly maintained separate records.

Factory payroll does not include labor used in general administration, sales and advertising, or research, or in major repairs or replacement of plant or equipment, or in expansion. *It does include* labor used in factory supervision, packaging and handling, ordinary maintenance and repair, and in materials control, testing, and inspection.

Recomputed payroll may include increased cost of "fringe benefits" like insurance plans, pension contributions for current work, and paid vacations.

Materials cost adjustments are calculated by any of *four methods* designated as the *aggregate* method, the *individual commodity* method, the *production line* method using best selling commodity, and the *composite bill of materials* method.

Example of the aggregate method, the simplest for most manufacturers:

Net sales for last fiscal year in 1950		$1,000,000
Increases in materials costs	$100,000	
Decreases in costs	50,000	
Net increase in costs		50,000
Materials cost adjustment factor ($50,000÷$1,000,000)		5%

The 5% is added to a commodity's base period price.

Materials cost changes up to December 31, 1950, may be included, or *up to March 15, 1951,* in the case of raw materials, imports, basic ores and metals, and other materials not covered by the regulation.

Increases up to date in costs of farm products under parity may be included.

The other three methods of computing the materials cost adjustment factor are outlined in CPR 22.

Actual transportation cost increases up to March 15, 1951, may be added to the base period price if the latter is a *delivered price.*

New commodities introduced since June 24, 1950, are priced by relating them to comparison commodities dealt in during the base period.

On new commodities falling within categories handled during the base period, a percentage markup over a comparison item is applied.

Hardship appeals may be made to OPS by manufacturers for upward price adjustments if ceilings result in operating losses; they will be acted on within 30 days.

Reports on ceiling prices must be filed with OPS in Washington by every manufacturer by May 28, 1951; forms may be obtained from any OPS office.

Information required includes:

Category or product line covered by the report.
Dates of the base period selected.
Estimated 1950 dollar sales.
Labor cost adjustment factor for the product.
Materials cost adjustment factor.
Proposed price increases, with a percentage comparison with GCPR prices.

Reports of ceiling prices on commodities in a different category from any sold between July 1, 1949, and June 24, 1950, must be filed with OPS. These commodities can be sold after 15 days unless notified of price disapproval.

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OFFICE OF PRICE STABILIZATION

WASHINGTON

TITLE 32A—NATIONAL DEFENSE, APPENDIX

Chapter III—Office of Price Stabilization, Economic Stabilization Agency

[Ceiling Price Regulation 22]

CPR 22—MANUFACTURERS' GENERAL CEILING PRICE REGULATION

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Cong.), Executive Order 10161 (15 F. R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F. R. 738), this Ceiling Price Regulation 22 is hereby issued.

STATEMENT OF CONSIDERATIONS

The Need for This Order

When the General Ceiling Price Regulation was issued on January 26, 1951, it was pointed out that the general freeze which it imposed upon prices at all levels of production and distribution was an emergency measure made imperative by the urgency of bringing the inflationary spiral to a halt. It was not intended to be a permanent basis of control, but rather a means of "holding the line" until specific regulations properly adapted to the needs of individual industries could be formulated and issued. In this connection the Statement of Considerations accompanying the General Ceiling Price Regulation said in part:

> It is recognized that the issuance of one regulation covering millions of prices and sellers and thousands of industries, differing in structure, market organization and degree of complexity, cannot be expected to cover adequately the multitude of problems that arise in day-to-day pricing. It is, therefore, the intention of the Director of Price Stabilization to issue, as soon as practicable and after appropriate consultation, additional price ceiling regulations, some general in scope, and some tailored to meet the separate problems of individual industries.

This regulation constitutes a major step in this replacement of the freeze.

The price structure which was frozen by the General Ceiling Price Regulation was badly unbalanced in many respects. Prices had been changing very rapidly during the six months following the Korean outbreak, and, as is inevitable during a period of dynamic price change, there had been no adequate opportunity for the prices of commodities at different levels of production and distribution to achieve their normal mutual adjustments. In some industries prices had lagged behind the increase in materials costs and other costs of manufacture; in others prices had outrun the advance of manufacturing costs by a substantial margin. Within individual industries there were marked differences in the prices charged by competing companies. In particular, those businesses which had held back on price increases in an effort to cooperate with the stabilization program and in compliance with the voluntary pricing standards which had been issued on December 19, 1950, were at a marked disadvantage as compared with other concerns which had raised their prices and ignored those standards. Prices of some companies and in some segments of industry were frozen below actual production costs; other prices were far above any justifiable level. Even within single companies, prices of individual products were often out of balance; ceilings for some commodities were fully adequate while others were so low as to discourage continued production.

The Office of Price Stabilization has been moving as rapidly as its resources have permitted in the direction of ironing out the distortions and inequities imposed by the freeze. A series of regulations covering a large portion of the retail business of the United States has been formulated and issued. Specific orders covering a very few branches of manufacture have been prepared to remedy some of the most urgent outstanding problems. However, it has not been possible within the few weeks that have elapsed since the General Ceiling Price Regulation was issued to assemble either the resources needed to take faster action on a wider front nor the detailed information upon which such action would have to be based. As a result, the vast majority of manufacturers is still subject to the provisions of the general freeze, as are virtually all nonfood wholesalers and a significant number of retail establishments.

The urgency of taking prompt action toward the restoration of a balanced and sound price structure becomes daily more pressing. Complaints from manufacturers whose prices are frozen at levels at which they cannot continue to operate are accumulating. At the same time it is neither feasible nor sound policy to attempt to apply individual adjustments to such inequities on so broad a scale. It is not feasible because to do so would tax virtually the entire resources of the organization, which should rather be devoted to the formulation of a firm basis for continuing controls. It is not sound policy because to concentrate upon giving relief to hardship cases without a concurrent effort to roll back those prices which are clearly excessive would run directly counter to the objectives of the stabilization program.

It is obvious that the soundest way of restoring a balanced and equitable price structure in manufacturing would be by the issuance of a series of individual regulations tailored to meet the needs and peculiarities of each specific industry. However, although the Office of Price Stabilization is moving in this direction as rapidly as possible, there is no way in which the large number of specifically tailored regulations which this would require can be prepared and issued within any reasonable period of time. In many cases, the mere compilation of the data needed to form the basis for such orders would take months. The urgency of the present situation cannot permit such delay.

Consequently, it has become necessary to issue a regulation generally applicable to as large a segment of manufacturing industry as possible in order to meet the need for immediate action. It is obvious that no such regulation can fully reflect the diverse problems of the vast number of industries comprising the American economy. Nevertheless, it is believed that this regulation is generally fair and equitable in principle; that it will afford at least limited relief to most cases of hardship imposed by the general freeze; that it will serve simultaneously to require reductions in prices which are too high; and that it will constitute, therefore, a major step forward toward the restoration of a sound and properly balanced price structure. It is not expected that this regulation will be the ultimate basis of control for most of the industries which it covers, but rather that it will serve as a bridge between the price structure frozen by the General Ceiling Price Regulation and that which will ultimately be established through appropriate tailored regulations.

General Nature of the Regulation

The general principle under which this regulation has been formulated is a return to pre-Korean price levels, adjusted for certain increases in manufacturing costs which have occurred

since the Korean outbreak. The price structure which prevailed during the period July 1949 to June 1950 is regarded as affording an appropriate starting point because prices and costs generally were in balance at levels which yielded satisfactory operating margins to the vast bulk of manufacturing industries. Adjusting these prices to take account of manufacturing cost increases since Korea should, therefore, restore generally sound price relationships. It is true that there were a few industries whose prices were relatively low throughout this entire twelve month period; but so far as can be ascertained, raw materials costs for those industries were also low, and the adjustment for cost increases will be correspondingly greater. It is not the absolute level of the base period selling prices of any industry which is the significant test, but the adequacy of its pre-Korean operating margin. If that margin was sufficient to provide reasonable profits before Korea, the formula used in this regulation should yield a sound basis for current production.

The translation of this basic principle of pre-Korean prices plus an adjustment for cost increases since Korea into an equitable and administrable regulation required a number of basic decisions. The first was the selection of the base period. Under the Defense Production Act of 1950, "the President shall [in establishing price controls] ascertain and give due consideration to comparable prices * * * which he finds to be representative of those prevailing during the period from May 24, 1950 to June 24, 1950, inclusive, or, in case none prevailed during this period or if those prevailing during this period were not generally representative because of abnormal or seasonal market conditions or other cause, then those prevailing on the nearest date on which, in the judgment of the President, they are generally representative."

Upon due consideration, it appeared evident that the single month May 24 to June 24, 1950 referred to in the Act is unduly restrictive. The three months immediately preceding the Korean outbreak or, more precisely, the period April 1 to June 24, 1950, is clearly more representative for this purpose, and this is the general base period established in the regulation. However, while this period is an equitable basis for most industries, even three months is too short to avoid inequities due to seasonal factors or other special circumstances applicable to individual industries, companies, or commodities, as the Act itself anticipates. Consequently the regulation permits any manufacturer who finds the period April 1 to June 24, 1950, to be unrepresentative for a category of his products to select any one of the three preceding calendar quarters as his base period for that category. Seasonal influences on price are thus largely eliminated.

A second problem was the determination of the nature of the cost increases that could be added to pre-Korean prices. The increases over base period costs which may be taken into account under this regulation are limited to advances in manufacturing costs, that is, those costs affecting the labor and materials actually required for the production of the commodities covered.

The term manufacturing costs is defined broadly enough to cover all factory labor, including labor sometimes classified as indirect as well as direct labor, and all manufacturing materials whether they are incorporated directly into the commodity or are otherwise directly consumed in the manufacturing process. An earlier draft submitted for comment to representative manufacturers reflected only "direct" cost, but it was pointed out that this limitation had unequal and unfair impact upon those industries or companies where a large percentage of manufacturing costs was classified as "indirect", either because of the nature of the manufacturing process or for reasons of accounting convenience. In view of the evident validity of these objections, the limitation to "direct" costs was discarded after due consideration.

The calculations required to compute these increases in costs have been simplified as far as possible and several alternative methods of calculation are provided in order to meet the needs of manufacturers with different systems of accounting and record keeping. The process of computation will still require considerable work in many cases, but this is unavoidable. Even if each manufacturer were permitted to devise his own method of computing cost increases—a procedure which would obviously lead to erratic results—the work involved would still be very substantial.

No provision has been made for adjustments reflecting changes in overhead costs such as depreciation, general administration, sales, and research. The reasons for this are twofold. In the first place, there is no precise or uniform way by which such costs can be allocated to individual commodities or even to commodity groups. More important, unit overhead costs vary with volume, and there is no way in which future production volume can be forecast with any degree of accuracy. For most lines of manufacture, moreover, production has increased since Korea, with the result that overhead costs per unit of production have declined, despite increases in the salaries of administrative or research personnel. It is recognized that there may be cases for which this is not true, but whether overhead costs per unit have increased or decreased is essentially irrelevant to the principle employed in this regulation. The purpose of this regulation is to establish a level of prices which is generally fair and equitable, and a relationship between prices and costs which is sound and reasonable. If increased overhead costs for any manufacturer should be sufficient to create real hardship, he will have the opportunity of applying for individual adjustment to the extent necessary to avoid over-all loss. Any industry whose aggregate earnings are reduced below a normal peacetime base can apply for general price adjustment.

The calculation of materials cost increases is greatly complicated by the fact that this regulation and those accompanying it will affect not only manufacturers' prices but also manufacturing costs. Except for finished consumer goods, the products of one manufacturer are the raw materials of another. Consequently no manufacturer can determine accurately the current cost of the products he buys from another manufacturer until the latter has determined what his ceiling prices will be, and so on down the line. It would be clearly impractical, however, for each manufacturer to postpone his calculations until he had definite information as to the prices which his supplier will charge for materials; if this were done the process of mutual adjustment and readjustment would be strung out indefinitely. Consequently, it is expected that the calculations required under this regulation will have to be repeated in the reasonably near future in order to give effect to the impact of the regulation itself and other OPS regulations upon material costs. While no specific date has been set for this recalculation, it will be provided for as soon as practicable.

In the meantime, however, it is necessary to provide a definite basis for calculating materials costs increases, and one that will minimize the readjustments which could result from the anticipated recalculations. In particular it seems essential to avoid allowing prices to be increased under this regulation on the basis of current materials costs which the regulation itself may be expected to roll back. Consequently the regulation provides that manufacturers should, in general, give effect only to those in-

creases in material costs which occurred up to December 31, 1950, on the assumption that the average price of materials subject to this regulation will be rolled back by the regulation itself to a level approximately that which prevailed last December. It is recognized that this is only a rough approximation, which will have to be adjusted subsequently through the planned recalculation, or through the issuance of tailored regulations.

An exception has, however, been made in the case of materials not covered by this regulation, and for which no rollback may therefore be expected in the immediate future. This includes such categories as the basic ores and metals, imported materials generally, and other raw materials. For such materials, and for factory labor, cost increases may be computed up to March 15, 1951.

A further exception had to be made in the case of certain farm products whose current prices are below the minimum standards established in the Act. For these materials, cost increases may be computed up to any current date.

Finally decision had to be reached as to whether manufacturers whose ceiling prices calculated under this regulation exceeded those established by the general ceiling should be permitted to put such increases into effect automatically, or whether some restrictions on increases should be imposed.

As stated above, it was one of the specific purposes of this regulation to afford relief to cases of hardship and inequity. On the other hand an automatic application of any formula of the kind provided in this regulation might permit some freak or fortuitous price increases which would be out of line with the basic objectives of the regulation. Such a result could be due in some cases to the formula itself, as it worked out in certain situations. The problem is increased if the formula is left completely self-executing, taking into account the possibility of honest or wilful misunderstanding, possibly compounded by inadequate records.

Serious consideration was therefore given to the advisability of imposing specific percentage limitations on the extent to which present ceiling prices could automatically be raised under this regulation. This approach was objected to by a group of representative manufacturers, and was discarded for a number of reasons. In the first place, any limitation of this kind would be highly arbitrary. Moreover, its impact would be most serious with respect to those manufacturers who had cooperated with the stabilization program and had avoided price increases or held increases to a minimum and were now frozen in an inequitable position.

It is recognized that some of the increases which will be granted may exceed those which would be required under an individual adjustment provision limited to hardship cases. However, many such increases would occur in any event as industry-wide ceilings were issued, and as companies frozen below the industry average adjusted to the general industry level. Moreover, any industry-wide ceiling, in restoring equitable price relations between competing firms in an industry, necessarily gives the more efficient firms in that industry more satisfactory profit margins than the inefficient firms.

It is the judgment of the Director that, in the overwhelming majority of cases, this regulation will not establish generally a higher level of prices than would be granted through the application of an industry earning standard.

For these reasons, the regulation does not specifically limit the extent to which current ceiling prices may be increased in accordance with its provisions. It does, however, stipulate that any manufacturer whose price for any commodity under this regulation is in excess of his present ceiling price, must file a report presenting all the relevant facts and calculations for review by the Office of Price Stabilization, and that he may not put such a price increase into effect until at least 15 days after he has filed this information. This will afford an opportunity for a review of such proposed price increases and a determination as to whether or not they are in fact justified and appropriate. If such review indicates that the increases are unjustified or excessive, the Director may take appropriate action to reduce the proposed price increases.

The Interim Character of This Regulation

Attention should be directed once again to the fact that this regulation is not intended as the final pricing action of the Office of Price Stabilization. This is a good working instrument, applied on a broad base, to reach a more just and equitable alignment of manufacturer's prices than was possible under the General Ceiling Price Regulation. The Office of Price Stabilization will continue to issue tailored industry regulations which utilize provisions geared to particular industry problems, practices, and situations.

The price levels which will be established by any such tailored regulations may be the same as those set by this regulation, or they may be increased or decreased in accordance with the ultimate pricing standards developed by the Economic Stabilization Agency. Higher price ceilings may be needed to take account of cost increases not recognized by this regulation, but only to the extent that the ultimate pricing standards do not require that such cost increases be absorbed.

Even in the administration of this regulation, supplementary regulations may be issued for particular industries so as to promote the objectives of the price stabilization program. For example, in appropriate cases it may be possible to announce a general labor cost increase factor, or a materials cost increase factor, or both, for application by an entire industry, or to specify a particular base period for the industry. These and similar techniques will permit the achievement of much of the goal of a uniform industry regulation, even before the entire tailored regulation is ready for issuance. They will also afford a means of rectifying any wide disparities between the ceiling prices established for competing sellers of the same or similar commodities.

The Problem of Cost Absorption

In adopting as its basic principle the adjustment of pre-Korean price levels to take account of the increase in manufacturing costs which has occurred since Korea, this regulation follows the only practicable method of restoring a balanced and generally equitable price structure that is available. This should not, however, be interpreted as constituting an acceptance or endorsement of the principle of automatic or indefinite cost escalation. It would be wholly unsound to base any continuing price control program or policy on the assumption that increases in costs should be automatically reflected in increases in price. This would result not in price control, but rather in rubber-stamped inflation.

No system of price control can do its job if each increase in costs is immediately and automatically translated into rising prices. Such a policy would leave us within the very same vicious circle of cost and price increases which it must be the primary object of any stabilization program to break.

A substantial defect in any automatic escalation formula lies in the fact that an increase in the unit price of a purchased material or service or in the wages paid labor does not necessarily mean that the unit cost of producing a commodity is increased in the same proportion or even increased at all. Improvements in productivity, economies associated with a high level of operations, and the effect of volume changes on unit fixed costs all operate to destroy any exact parallel between material prices and wage rates and total cost per unit of output.

Any automatic translation of higher unit cost into higher prices would destroy much of the incentive to efficient operation. This principle is recognized in the methods of calculation prescribed in the regulation. Under its provisions, a manufacturer can retain the benefits which he would normally derive from improved production methods. For example, if fewer man-hours are now used to produce a commodity than before Korea, or if wastage of materials has been curtailed, the manufacturer is not required to reflect such economies in price reductions, but is permitted to retain these savings just as he would in a normal competitive market. Similarly, under any general industry ceiling, there is incentive for each individual manufacturer to increase efficiency. Finally, although an industry ceiling regulation must assure an adequate level of profits to the industry generally, it does not follow that each individual manufacturer must be permitted to retain the unit profit margin he enjoyed immediately before Korea.

Consequently, the cost-plus principle is incorporated in the present regulation only to a limited extent. It is used as the best available device for reestablishing a balanced and equitable price structure and should not be construed as implying any guarantee of profit levels. Not all cost increases are recognized, and in particular, neither increases nor decreases in certain indirect costs are taken into account. This does not mean that the cost changes which have not been taken into account are any less real than those which have. Thus, increases in the salaries of clerical and administrative personnel in the central office are paid in the same currency as the higher wages of a factory worker. It does mean that the impact of these indirect costs on the unit cost of a commodity varies with volume, and that the regulation is intended to arrive at an equitable level of prices, rather than to guarantee an inviolate rate of profits.

It is particularly important to emphasize that this regulation allows only for past increases and carries with it no implication that increases which may occur subsequently will be treated on a similar automatic basis. The provision for recalculation of prices at a date in the near future is not intended to do more than carry through the necessary readjustment of cost-price relationships which this regulation seeks to achieve. The December 31 cut-off date for calculating the increases in the cost of materials which are subject to this regulation is an interim expedient and is too rough a measure for continuing control. The recalculation is, therefore, merely the anticipated second stage in restoring price balance.

It is in the light of this principle also, that March 15, 1951, has been stipulated as the cut-off date for calculating increases for materials not subject to this regulation, such as imported materials, and for increases in wage rates and freight costs. Manufacturers whose costs may increase after that date because of wage increases, or higher prices for certain imported materials, or for other reasons, may ask why they should not be permitted to translate those higher costs automatically into higher prices. It is, of course, true that cost increases after March 15 are just as real as those which occurred before that date. However, as pointed out above, if price controls are to be real and not illusory, the cost-price cycle must be broken at some point. The cut-off date of March 15 is one of the ways in which the break in this price-cost cycle must be accomplished. The date is, to some extent, arbitrary, but some date had to be set. An earlier date would have increased the number of individual firms and industries which would be forced to petition for specific relief. A later date would have resulted in an unjustifiably high level of prices in too many instances. Accordingly, the Director has selected March 15 as a date which would be generally equitable, which would prevent excessive price increases under this regulation, and at the same time minimize the number of cases requiring individual adjustment, or the processing by the Director of meritorious requests for industry-wide price adjustments.

It should be emphasized that selection of the March 15 date does not mean that cost increases after that date will be ignored. Rather, it means that they will not automatically be reflected through an individual firm's application of the formula contained in this interim regulation. Although the Director has determined that the principle employed in this regulation will provide interim ceilings which are fair and equitable for manufacturing industry generally, it is of course impossible to make this finding individually for each of the hundreds of separate industries covered by the regulation. If it should develop that for any industry, the ceilings calculated under this regulation do not satisfy the basic pricing standards shortly to be promulgated, the industry is invited to submit the facts necessary to demonstrate this condition. Peculiarities of an industry's base period, cost increases between the end of its base period and March 15 not recognized under this regulation, or cost increases after March 15, may unfairly reduce an industry's earnings below a normal peace-time level. Upon a proper showing of facts, the Director is prepared to take such action as is required to make the ceilings generally fair and equitable to each such industry. Normally, such price adjustment might be expected to be made in the process of substituting a more tailored regulation for this interim one.

Adjustment Provision

It cannot, of course, be anticipated that any general regulation of this character can cure all cases of hardship or inequities imposed by the freeze; nor can it avoid imposing hardship in special circumstances. It is, therefore, recognized that provision must be made for the adjustment of individual hardship cases. The regulation permits a manufacturer who under this regulation would be forced to operate at a loss to apply for an adjustment of his ceiling prices. This provision is not intended to take care of losses resulting from unusual or seasonal factors which would normally cure themselves; nor is it intended to provide an inefficient manufacturer with a level of prices substantially in excess of that which is adequate for the bulk of his competitors. The Office of Price Stabilization expects to act upon petitions for relief submitted under this provision promptly, and if no action is taken within thirty days after the request has been submitted the applicant is permitted to sell at the prices proposed in his petition until the Office has taken final action.

Commodities Exempted From the Regulation

A number of major segments of manufacturing industry have been exempted from this order for varying reasons. These exemptions are listed in detail in Appendix A to this regulation. The commodities exempted include those for which specific regulations have already been issued or are very close to issuance; products for which cost changes are particularly difficult to compute under any general formula, such as the primary mining and metallurgical industries and lumber; and certain foods and other products to which the application of the formula would be peculiarly difficult. In addition, of course, general exemptions from price control previously in force for legal or administrative reasons will be continued.

Almost simultaneously with this regulation it is expected that parallel regulations embodying the same general principles will be issued for the machinery, cotton textile, and apparel industries. These special regulations will differ from this general regulation in detail rather than in principle. As in the case of this

general regulation, they will establish ceiling prices upon the basis of pre-Korean levels adjusted for the increase in manufacturing costs since Korea, but the methods of calculations prescribed have been modified to adapt them more closely to the cost structures of the industries they cover. They, too, are intended to serve as a bridge pending the establishment of a final tailor-made basis of control.

These general readjustments of manufacturers prices must, of course, be reflected by distributors. Under previously issued price regulations, such adjustments can be made automatically by most retailers. It is expected that before the effective date of this regulation, provision will be made to permit wholesalers generally and retailers not now covered by specific regulations to make the necessary adjustments in their respective ceiling prices. In this way balance will be restored between prices at successive levels of production and distribution; and such balance is the essential prerequisite to any stable system of controls.

Small Business Exemption

It is recognized that many small manufacturing concerns may find it more difficult than larger companies to make the calculations prescribed in this regulation. Consequently, any manufacturer whose gross sales during his last annual accounting period were less than $250,000 may elect to continue to price his products under the provisions of the General Ceiling Price Regulation rather than under those of this regulation.

Anticipated Effect on the Price Level

The application of this regulation and those accompanying it will, as indicated, result in a large number of price changes of varying directions and magnitude. It is impossible to predict with accuracy what the net effect will be upon the general price level, but there is every indication that at least a moderate reduction of average wholesale prices should result, except to the extent that rising costs of farm products below parity and uncontrolled imported materials have to be reflected. In general, manufacturers maintained customary mark-ups on the cost increases sustained between June 24 and January 26 (the date of the GCPR). This regulation permits no mark-up on these increased costs. To the extent that some manufacturers raised their prices in anticipation of cost increases that did not occur, or in order to have a favorable base price in the event of an anticipated price freeze, still larger roll-backs will ensue.

Consultation With Industry Representatives

The wide coverage of this regulation made it a practical impossibility to consult in detail with representatives of all the industries affected. However, consultations were held with a special group of business leaders selected from many major branches of industry, and their advice and suggestions were given the most careful consideration in the formulation of the final regulation. Consultations were also held with a group of accounting specialists with respect to the cost-accounting features of the regulation, and its provisions were informally discussed with numerous representatives of different industries.

Findings of the Director

In the judgment of the Director of Price Stabilization, the issuance of this regulation is imperative to iron out the distortions in the structure of manufactured goods prices which were frozen by the GCPR. The Adjustment of these distortions cannot await the necessarily lengthy process of issuing tailored regulations on an industry-by-industry basis. To permit such delay would be to court disastrous effects upon production and distribution. By easing the immediate pressures, this regulation will provide the time needed to work out a more precise and fully integrated system of continuing controls. Work on such a system, which has been under way at a constantly increasing pace ever since the issuance of the GCPR, will now be further accelerated.

REGULATORY PROVISIONS

Sec.
45. Temporary adjustments to carry out existing contracts.
46. Records and reports.
47. Definitions and explanations.
48. Prohibitions.
49. Charges lower than ceiling prices.
50. Evasion.
51. Penalties.

AUTHORITY: Sections 1 to 51 issued under sec. 704, Pub. Law 774, 81st Cong. Interpret or apply Title IV, Pub. Law 774, 81st Cong., E. O. 10161, Sept. 9, 1950, 15 F. R. 6105, 3 CFR, 1950 Supp.

COVERAGE

SECTION 1. *Sellers and sales covered by this regulation.* This regulation covers you if you are a manufacturer located in the United States (not including territories or possessions) or the District of Columbia. It applies to any sale of any commodity as to which you are the manufacturer, except sales of commodities listed in Appendix A and sales at retail. With these exceptions, the General Ceiling Price Regulation is superseded by this regulation as to manufacturers in the United States or the District of Columbia. If, however, your gross sales for your last complete fiscal year were less than $250,000 you may elect not to use this regulation, but if you so elect, you may not use this regulation for any of your commodities.

CEILING PRICES ESTABLISHED

SEC. 2. *Ceiling prices established by this regulation.* This regulation establishes ceiling prices for commodities dealt in between July 1, 1949 and June 24, 1950, and for new commodities introduced subsequent to June 24, 1950. There are also special provisions relating to (a) rounding ceiling prices, (b) retention of ceiling prices established under the General Ceiling Price Regulation where the change in price is less than 1 percent, (c) reduction of ceiling prices to reflect any increase in the value of scrap or waste material, (d) adjustment of ceiling prices quoted on a delivered basis for increases in transportation costs, and (e) adjustment of ceiling prices for commodities manufactured in more than one of your plants.

CEILING PRICES FOR COMMODITIES DEALT IN BETWEEN JULY 1, 1949 AND JUNE 24, 1950

SEC. 3. *How to determine your ceiling price for a commodity you sold or offered for sale between July 1, 1949 and June 24, 1950.* (a) Your ceiling price to your largest buying class of purchaser for sale of a commodity which you sold or offered for sale at any time between July 1, 1949 and June 24, 1950, is your base period price for the commodity, plus "the labor cost adjustment" and "the materials cost adjustment". Section 47 (Definitions) explains the meaning of "your largest buying class of purchaser". Sections 4 through 6 tell how to obtain your base period price. Sections 7 through 9 tell how to calculate "the labor cost adjustment". Sections 10 through 16 tell how to calculate "the materials cost adjustment". If you do not wish to make either of these calculations you may use your base period price as your ceiling price to your largest buying class of purchaser. If you wish to calculate only one of the adjustments you may do so, in which case you will add only the amount of that one adjustment to your base period price.

(b) Your ceiling price for sale of the commodity to your largest buying class of purchaser must be consistent in every respect with your base period price, e. g., it must carry all customary delivery terms, cash, trade and volume discounts, allowances, premiums and extras, deductions, guarantees, servicing terms and other terms and conditions of sale.

(c) Your ceiling price for sale of the commodity to your other classes of purchasers to whom you made sales during your base period is determined by applying your price differentials last used during your base period. In the event you made no base period sales to a particular class of purchaser, you apply your customary differentials in effect during your base period, or if none, then those last in effect before your base period. If you are selling to an entirely new class of purchaser you determine your ceiling price under section 33 for that class of purchaser. For each class of purchasers you must maintain all customary delivery terms, cash, trade and volume discounts, allowances, premiums and extras, deductions, guarantees, servicing terms and other terms and conditions of sale which you had in effect during your base period. An explanation of what is meant by "class of purchaser" is found in section 47 (Definitions).

BASE PERIOD PRICE

SEC. 4. *Base period.* "Base period" refers to the period April 1 through June 24, 1950 or any previous calendar quarter ended not earlier than September 30, 1949, which you may elect to use. Whatever base period you elect must be used for all commodities in the same category. There is an exception in case of a commodity which you did not deliver during that base period, and which you did not make the subject of a written offer for delivery during that base period, and for which you did not have a price list in effect during that base period. In that case you may use for that commodity any other base period permitted under this section.

SEC. 5. *Category.* "Category" refers to a group of commodities which are normally classed together in your industry for purposes of production, accounting or sales. This is the same definition as used in section 4 (c) of the General Ceiling Price Regulation. You may, however, exclude from any category any commodity or group of related commodities for which the base period you have elected to use for the category is unrepresentative because of special seasonal characteristics of that commodity or group of related commodities. In that case, treat the commodity or related group of commodities as constituting a separate category.

SEC. 6. *How to obtain your base period price.* Your base period price for a commodity is obtained as follows:

(a) If, during your base period, you delivered the commodity or contracted in writing to sell the commodity at a firm price, you find the highest price to your largest buying class of purchaser at which such a delivery or such a contract of sale was made.

(b) If you did not make such a delivery or contract, you find the highest price at which you made a written offer for base period delivery to your largest buying class of purchaser.

(c) Instead of the price under paragraph (a) or (b) of this section you may use your price, to your largest buying class of purchaser, which you announced in writing in a price list, catalogue, or similar statement showing your prices for one or more commodities. To use this paragraph (c) you must either have announced the prices during your base period, or have announced them previously and had them in effect during your base period. Also you must have communicated the prices to the trade or a substantial number of customers in your customary way. Further, you must have made substantial deliveries at these prices after your written announcement of the prices. If you use this paragraph (c) for any commodity you must also use it for all other commodities covered by the same announcement.

(d) If your base period price includes any excise, sales or other similar tax which is not separately stated, you must follow the instructions contained in section 36.

(e) If your base period price is expressed as a list price less discounts, you may make the adjustments of the base period price under section 3 (a) upon the basis of the net price to your largest buying class of purchaser.

Example: Your base period "list" price for commodity A is $12 less a 20 percent discount to your largest buying class of purchaser. "The labor cost adjustment" and "the materials cost adjustment" which you are per-

mitted to add to your base period price total $3.84. You first take 80 percent of $12, thus applying the 20 percent discount. The resulting amount, $9.60, plus $3.84 equals $13.44, your "net" ceiling price to your largest buying class of purchaser. You can figure your "list" ceiling price by dividing your "net" ceiling price ($13.44) by the same percentage (80 percent), giving $16.80. Applying the 20 percent discount to your largest buying class of purchaser gives you $13.44, or your "net" ceiling price to that class of purchaser.

(f) If, during your base period you customarily produced the same commodity at two or more manufacturing establishments of your business and sold it at different prices depending upon the place of production, you must obtain a separate base period price and determine a separate ceiling price for each such establishment.

HOW TO CALCULATE THE LABOR COST ADJUSTMENT

SEC. 7. *General description of how to calculate "the labor cost adjustments".* Sections 8 and 9 tell how to calculate "the labor cost adjustment". The calculations under both sections are designed to yield an average percentage increase in your factory labor cost based upon net sales and factory payroll data for your last fiscal year ended not later than December 31, 1950. This percentage is referred to as your "labor cost adjustment factor". Under section 8, the net sales and factory payroll data are for your entire business and the labor cost adjustment factor will be applied uniformly to the base period prices of all of your commodities. Under section 9, the net sales and factory payroll data are for a unit of your business and the labor cost adjustment factor will be applied uniformly to the base period prices of all commodities produced in that unit. If the commodities produced in the several units of your business have experienced significantly different labor cost increases, it will probably be to your advantage to use section 9 so as to reflect these differences more appropriately.

SEC. 8. *How to calculate "the labor cost adjustment" upon the basis of your entire business.* To calculate "the labor cost adjustment" upon the basis of your entire business, you do the following:

(a) Find the dollar amounts of your net sales and of your factory payroll for your entire business for your last fiscal year ended not later than December 31, 1950. You may not include in factory payroll, labor used in general administration, sales and advertising, or research, or in making major repairs or replacement of plant or equipment or in expansion of plant or equipment. Labor used in factory supervision, packaging and handling, ordinary maintenance and repair of plant or equipment, or in materials control, testing or inspection may, however, be included.

(b) Divide the dollar amount of your factory payroll found under paragraph (a) of this section by the dollar amount of your net sales found under (a). This will show what percentage your factory payroll is of your net sales. This percentage is referred to as your "labor cost ratio".

(c) Find the dollar amount of your factory payroll, as limited in paragraph (a) of this section, for your last payroll period ended not later than the end of your base period (if your base period is April 1 through June 24, 1950, you should use your last payroll period ended not later than June 30, 1950). The term "end of your base period" is explained in section 47 (Definitions). This payroll is referred to as "your base period payroll". Compute what the dollar amount of your base period payroll would have been upon the basis of your wage rates in effect on March 15, 1951. This is referred to as "your recomputed payroll". You may add to your recomputed payroll a dollar amount to reflect, for the labor covered by that payroll, any increase between the end of your base period and March 15, 1951, in the cost to you of insurance plans, pension contributions for current work, paid vacations and similar "fringe benefits". You may make the calculations called for by this paragraph in whatever appropriate way is best adapted to your accounting records and your basis of wage payments, e. g., hourly rates, piece-work, or any other system of wage payments used by you.

(d) Divide the dollar amount of the difference between your recomputed payroll and your base period payroll by your base period payroll. The resulting percentage is referred to as your "wage increase factor."

(e) Multiply your labor cost ratio derived under paragraph (b) of this section by your wage increase factor derived under paragraph (d) of this section. The resulting percentage is referred to as your "labor cost adjustment factor."

(f) Multiply the base period price of the commodity being priced by your labor cost adjustment factor. The resulting amount is "the labor cost adjustment" to be added to the base period price in accordance with section 3 (a).

(g) If you use this section, it must be used for all of your commodities.

Example: (a) Your fiscal year is the calendar year. Your net sales for the twelve months ended December 31, 1950, were $1,000,000. Your factory payroll for the year was $300,000 (the required exclusions having been made in arriving at this figure).

(b) $300,000 divided by $1,000,000 is 30 percent. This is your labor cost ratio.

(c) Your factory payroll for the week ended June 24, 1950, was $6,000 (the required exclusions having been made in arriving at this figure). At wage rates in effect March 15, 1951, the payroll would have been $6,500. In addition you have also granted longer paid vacations and a more liberal insurance plan which amounts to the equivalent of two and one-half cents per hour. The number of hours covered by your base period payroll was 4,000. Consequently the increased "fringe benefits" add an extra $100 per week to your factory labor cost for the March 15 period. This makes your recomputed payroll at March 15 wage rates $6,600, or a total increase of $600.

(d) $600 divided by $6,000 is 10 percent. This is your wage increase factor.

(e) 30 percent multiplied by 10 percent is 3 percent. This is your labor cost adjustment factor.

(f) If your base period price was $100, you multiply $100 by 3 percent, giving $3, "the labor cost adjustment".

SEC. 9. *How to calculate "the labor cost adjustment" upon the basis of a unit of your business.* To calculate "the labor cost adjustment" upon the basis of a unit of your business, you do the following:

(a) Find the dollar amounts of your net sales and of your factory payroll for your last fiscal year ended not later than December 31, 1950, relating to a unit of your business for which you regularly maintain separate accounts and in which the commodity being priced is produced. You must include in net sales the value, as shown on your records, of any transfer of a commodity or material from that unit to another unit of your business. If your records do not show a value you may not use this section. The provisions of section 8 (a) as to what may be included in factory payroll apply.

(b) Using the data found under paragraph (a) of this section you make the calculations prescribed in paragraphs (b), (c), (d), (e) and (f) of section 8, for the unit of your business to which the data relate. This will give you "the labor cost adjustment" to be added to the base period price in accordance with section 3 (a).

(c) This section may be used only for commodities produced in the particular unit of your business to which the net sales and factory payroll data relate, and must be used for all commodities produced in that unit.

HOW TO CALCULATE THE MATERIALS COST ADJUSTMENT

SEC. 10. *Manufacturing material.* You will need to become familiar with the term "manufacturing material" in the following sections. It refers to a material entering directly into the commodity being priced or used directly in the manufacturing processes from which the commodity results, together with packaging materials, containers (other

than returnable containers), purchased fuel, steam or electric energy, and subcontracted industrial services which are directly related to the manufacture of the commodity. The term does not include materials or sub-contracted industrial services used in replacing, maintaining or expanding your plant and equipment, nor other materials or supplies the use of which is not directly dependent upon the rate at which you manufacture the commodity being priced.

SEC. 11. *General description of the methods available.* (a) There are four alternative methods available to you for calculating "the materials cost adjustment." You should use the one best suited to your particular situation. Only manufacturing materials may be taken into account in your calculations and you will measure their change in cost to you between prescribed dates. You are permitted, however, to omit any manufacturing material which is not significant or whose cost has not decreased between the prescribed dates. This section contains ony general descriptions, as an aid in understanding. The exact provisions which are in the following sections are controlling.

(b) (1) *Method 1.* Method 1 allows you to measure the increase in your manufacturing materials costs upon the basis of a unit of your business not larger than a plant, or, if you have only one plant, upon the basis of your entire business. Under this method, which is set forth in section 13, you calculate a percentage increase in your manufacturing materials costs upon the basis of net sales and materials put into production during a yearly accounting period. If you make the calculations upon the basis of your entire business, you apply the percentage increase uniformly to all of your commodities. If the calculations are upon the basis of separate units of your business, you apply the percentage increase for each unit uniformly to all of the commodities produced in that unit. There are specific limitations upon the use of this method where you have had significant substitution of materials.

(2) *Method 2.* Method 2 is for an individual commodity and is based upon the increase in your unit manufacturing materials cost for that commodity. Under this method "the materials cost adjustment" will ordinarily differ for each commodity. You should probably use this method, therefore, if the various commodities you produce have had substantially different material cost increases since the end of your base period, or vary widely from each other in the ratio between unit manufacturing materials cost and sales price. This method, however, is more burdensome because it requires a separate calculation for each commodity.

(3) *Method 3.* Method 3 is for a product line and is based upon the increase in your unit manufacturing materials cost for the best selling commodity in the product line. A percentage figure for this increase is derived which is applied to the base period price of each commodity in the product line. This method may be more appropriate than Method 2 if you have a number of closely related commodities whose material cost increases have been about the same.

(4) *Method 4.* Method 4 may also be used for a product line or it may be used for a category. It is based upon the increase in the cost of the bill of materials used in producing the goods sold during an accounting period of three months or less. Like Methods 1 and 3 it yields a uniform materials cost adjustment factor for all commodities in the product line or category. If your records are in a form which permits you to use this method, you may find it simpler to apply than Method 1.

(c) You may select whichever one of the four methods you consider best suited to the nature of your business and most adaptable to the records you maintain. If you select the first, third, or fourth method, you must use it for each commodity in the particular unit of business involved (or for all of your commodities if your calculations are based upon your entire business), product line or category.

SEC. 12. *Omission of certain manufacturing materials from your calculations.* Under any of the four alternative methods which you use for calculating "the materials cost adjustment" you may omit from your calculations any manufacturing material which is not significant or whose cost to you has not decreased between the prescribed dates. Consequently, a reference to "each manufacturing material" under any of the four methods means each such material you are including in your calculations.

SEC. 13. *Method 1 (Aggregate method).* To calculate "the materials cost adjustment" under this method, you do the following:

(a) Find the dollar amount of your net sales for your last fiscal year ended not later than December 31, 1950, for your entire business, or for a unit of your business for which you regularly maintain accounts and in which the commodity being priced is produced. You may not, however, use your entire business for this calculation if you operate more than one plant. Nor may you use a unit of your business which includes the output of more than one plant, although you may use a unit less inclusive than a plant. If you use a unit of your business, you must include in net sales the value of any commodity or material transferred from that unit to another unit of your business. The value shall be that shown in your records. If your records do not show a value, you may not use that unit of your business for making your calculations.

(b) Multiply the physical amount of each manufacturing material which you used during the same fiscal year either in your entire business or in a unit of your business, whichever you are calculating on, by the dollars-and-cents amount of the change in net cost per unit of the material to you between the end of your base period and December 31, 1950. The term "end of your base period" is explained in section 47 (Definitions). For any material listed in Appendix B you may figure the change to March 15, 1951, and for any material listed in Appendix C you may include the increase to any current date subject to the limitations in section 21. Before starting to figure the change in net cost per unit of the material, you should read carefully the instructions contained in sections 17 through 23.

(c) Add together the resuting figures derived under paragraph (b) of this section which represent increases in net cost. Do the same with the resulting figures which represent decreases in net cost. Subtract the total of the decreases from the total of the increases.

(d) Divide the final figure derived under paragraph (c) of this section by the amount of your net sales found under paragraph (a) of this section. The resulting percentage is referred to as your "materials cost adjustment factor".

(e) Multiply the base period price of the commodity being priced by your materials cost adjustment factor. This will give "the materials cost adjustment" to be added to the base period price in accordance with section 3 (a).

(f) If you use this section and your calculations are based upon your entire business, the materials cost adjustment factor which you derive must be used for all of your commodities. If your calculations are based upon a particular unit of your business, the materials cost adjustment factor which you derive must be used for all commodities produced in that unit and may not be used for commodities produced in any other unit of your business.

(g) You may not use this section if you have replaced, in any significant degree, the materials used by you during your base period with lower-priced substitute materials. (For example, if you

are a manufacturer of rubber automobile tires, and you are now using a significantly larger percentage of synthetic rubber than you did in your base period, you may not use Method 1.)

SEC. 14. *Method 2 (Individual commodity method).* To calculate "the materials cost adjustment" under this method, you do the following:

(a) Find the physical amount of each manufacturing material which you normally used in your base period per unit of the commodity being priced.

(b) Multiply this physical amount of each of these manufacturing materials by the change in its net cost per unit to you between (1) the last day of the base period you elected for the commodity being priced and (2) December 31, 1950. For any material listed in Appendix B you may figure the change to March 15, 1951, and for any material listed in Appendix C you may figure the change to a current date subject to the limitations in section 21. Before starting to figure the change in net cost, you should read carefully the instructions contained in sections 17 through 23.

(c) Add together the resulting figures derived under paragraph (b) of this section which represent increases in net cost. Do the same with the resulting figures which represent decreases in net cost. The difference between these totals is "the materials cost adjustment" to be added to the base period price in accordance with section 3 (a).

Example: The commodity you are pricing uses three different manufacturing materials. For each unit of the commodity, you require 5 pounds of material A, 10 pounds of material B, and 1 gallon of material C. Before Korea, material A cost you $1.00 per pound, material B $2.00 per pound and material C $0.50 per gallon. Your net cost per unit of material A on your last invoice before December 31, 1950 was $1.50 and for material B it was still $2.00. Material C is listed in Appendix B; your last invoice prior to March 15, 1951 was $1.00 per gallon. Your increase for material A was, therefore, 5 multiplied by 50 cents (the difference between $1.50 and $1.00) or $2.50. Material B has not changed in price and may, therefore, be omitted. For material C, 1 gallon multiplied by 50 cents equals 50 cents. In addition, the commodity was enameled for you by an outside contractor at a cost of $1.00 per unit before Korea, and the price for the service as of March 15, 1951 was $1.25, a difference of 25 cents. Your materials cost increase for the commodity is, therefore, $2.50 for material A, 50 cents for material C, and 25 cents for the enameling service, or a total of $3.25. This is "the materials cost adjustment".

SEC. 15. *Method 3 (Product line method using best selling commodity).* This method is essentially the same as Method 2 except that the calculations are made for the best selling commodity in a product line. To calculate "the materials cost adjustment" under this method, you do the following:

(a) Select the best selling commodity in the product line of which the commodity being priced is a part.

(1) "Product line" refers to a group of closely related commodities which differ in such respects as style, model or size and which are normally classed together as a product line in your industry. Generally speaking, each commodity in the same product line must serve the same purpose and must be made by the same manufacturing process from substantially the same materials. A product line may never be broader than a category and usually will be narrower. The relationship between the commodities will normally be substantially closer in a product line than in a category. For example, stripped, standard and deluxe models of refrigerators are separate product lines, but a single category.

(2) "The best selling commodity" refers to the commodity in a product line which accounted for the greatest dollar volume of sales in the product line in your base period.

(b) Using the best selling commodity, make the calculations prescribed in section 14. This will give "the materials cost adjustment" for the best selling commodity, i. e., the amount to be added to its base period price.

(c) Divide "the materials cost adjustment" by the base period price of the best selling commodity. The resulting percentage is referred to as your "materials cost adjustment factor."

(d) Apply your materials cost adjustment factor to the base period price of each commodity in the product line. The resulting figure for each commodity is "the materials cost adjustment" to be added to the base period price of that commodity in accordance with section 3 (a).

(e) If you use this section it must be used for each commodity in the product line for which you have made your calculations.

Example: You have three commodities in a product line, whose base period prices were $8, $10 and $12, respectively. The best selling item was the $10 commodity. "The materials cost adjustment" for that commodity calculated under section 14 was $2, or 20 percent. "The materials cost adjustment" for the $8 commodity is, therefore, 20 percent of $8, or $1.60, and for the $12 commodity, 20 percent of $12, or $2.40.

SEC. 16. *Method 4 (Composite bill of materials method).* Under this method you make your calculations for the increase in your manufacturing materials cost for a product line or a category. To calculate "the materials cost adjustment" under this method, you do the following:

(a) Find the total net sales of all commodities in the product line or category for your last complete accounting period of three months or less ended not later than the last day of your base period (or if your base period is April 1 through June 24, 1950, ended not later than June 30, 1950). You must include in net sales the value, as shown in your records, of any transfer of a commodity in that product line or category to another unit of your business. If your records do not show a value, you may not use this section for that product line or category.

(b) Find the total physical amount of each manufacturing material used in producing the commodities in that product line or category sold in that accounting period. (Note that, in contrast to Method 1, you find here the physical bill of materials used in producing the goods sold in a short accounting period; while, under Method 1, you find the aggregate quantities of materials used, i. e., put into the production process, in an annual accounting period).

(c) Multiply this total physical amount by the dollars-and-cents change, between (1) the end of your base period and (2) December 31, 1950, in net cost to you per unit of the material used. For any material listed in Appendix B you may figure the change to March 15, 1951 and for any material listed in Appendix C you may figure the change to a current date subject to the limitations in section 21. Add together the resulting figures which represent increases in net cost. Do the same with the resulting figures which represent decreases in net cost. The difference between these totals is your increase in manufacturing materials cost. Before starting to figure the change in net cost you should read carefully the instructions contained in sections 17 through 23.

(d) Divide your increase in manufacturing materials cost derived under paragraph (c) of this section by the amount of your net sales found under paragraph (a) of this section. This percentage is referred to as your "materials cost adjustment factor."

(e) Apply your materials cost adjustment factor derived under paragraph (d) of this section to the base period price of the commodity being priced. The resulting figure is "the materials cost adjustment" to be added to the base period price in accordance with section 3 (a).

(f) You may use this section only if you use it for each commodity included in the product line or category.

SPECIAL INSTRUCTIONS TO BE FOLLOWED IN CALCULATING THE MATERIALS COST ADJUSTMENT

SEC. 17. *General nature of these instructions.* Section 18 will apply to your calculations irrespective of which of the four alternative methods you use. Sec-

tions 19 through 23 may be applicable to you depending upon whether you are covered by certain described situations which are briefly indicated by the section heading and opening sentence of the section.

Sec. 18. *How to compute the net cost to you of a manufacturing material as of a prescribed date.* Under any of the four alternative methods you may use for calculating "the materials cost adjustment," you must figure the change, between prescribed dates, in the net cost to you per unit of each manufacturing material included in your calculations. (The earlier "prescribed date" is June 24, 1950, or another date depending on the base period you elected. The later "prescribed date" is December 31, 1950, March 15, 1951 or a current date as permitted by section 21). To determine the net cost to you per unit of a manufacturing material as of a prescribed date, you use the *first* of the following prices available to you. In no event may the price you use be in excess of the ceiling price under a ceiling price regulation in effect on the date of issuance of this regulation. If you use paragraphs (c), (d) or (e) of this section, you must disregard any price based upon a departure from your normal buying practices. Such a departure would include quantities smaller than those you usually purchase or contract for, or use of a more distant or different class of supplier (other than the United States), or use of subcontracted industrial services in an amount in excess of that used in your base period. For example, you must disregard any price based upon a change in your source of supply from a manufacturer to a reseller or warehouseman or from a domestic to a foreign source of supply. Likewise, you must disregard any price which is based upon a purchase of conversion steel, except as permitted in section 44.

(a) The exchange quotation for the nearest monthly contract as of the close of business on the prescribed date (or the nearest preceding date for which such a quotation is available) for any commodity traded regularly upon a commodity exchange operating under the jurisdiction of the Commodity Exchange Authority or the Sugar Exchanges and you must use the quotation for both of the prescribed dates. Also you must use the same commodity exchange for both of the prescribed dates. If the commodity is one which is not itself quoted on such an exchange, but another grade of that commodity is so quoted, you may use the exchange quotation for such other grade provided you do so for both of the prescribed dates.

(b) The selling price for rubber as of the prescribed date established by an agency of the United States Government.

(c) The net price per unit of the material shown on the invoice for the last delivery of the material to you prior to the prescribed date. If, however, the delivery was received more than 30 days prior to the prescribed date or was pursuant to a contract bearing a firm price entered into more than 60 days prior to the prescribed date, you may not use this paragraph (c). If within 30 days prior to each of the applicable prescribed dates, you received more than one delivery of the same manufacturing material, you must use an average price for each such date. You obtain this average price by dividing the net amount you paid for all deliveries of the material during each of the 30-day periods by the total number of units of the material delivered to you during each period. The average price for each period is the price you use for each of the respective prescribed dates.

(d) The net price per unit of the material stipulated in the written contract for the material which you entered into last prior to the prescribed date, provided that it was entered into not more than 60 days prior thereto.

(e) The net price per unit of the material stipulated in the written offer for sale of the material to you made last prior to the prescribed date provided that the offer was made within 60 days prior to the prescribed date and that you still have the written offer or obtain a copy of it from the offerer.

(f) If none of the foregoing is available to you for one or both of the applicable prescribed dates, you may apply to the Director of Price Stabilization, Washington 25, D. C., for an appropriate increase in the cost of the manufacturing material for use in your calculations. If you make such an application, you must refer specifically to this paragraph; you must describe the commodity being priced and the manufacturing material; you must propose the amount of increase per unit of the manufacturing material you consider appropriate based upon what you would have paid for the material if you had purchased it on each of the applicable prescribed dates; you must set forth in detail supporting reasons and why this paragraph is applicable; and you must state the base period price of the commodity and the ceiling price you propose. You must file this application before using the increase you propose. Although you need not await a reply from the Director of Price Stabilization, he may at any time disapprove the increase you propose, stipulate the amount of increase which he will approve or request additional information.

Sec. 19. *How to compute net cost as of the applicable prescribed dates where you are using a substitute material not used during the base period or used in lesser quantities.* In the case of a substitute material not used by you during the base period (or used in lesser quantities or proportions) in the manufacture of the commodity being priced, you must, if you are using Methods 2, 3, or 4 for calculating "the materials cost adjustment", compute the net cost to you as of the end of your base period of the physical amounts of the materials normally used by you in your base period and the net cost to you as of December 31, 1950, March 15, 1951, or a current date, whichever date is applicable, of the physical amounts of the materials normally used by you now. Since this calculation cannot be made accurately under Method 1 (section 13), you may not use that method for any unit of your business in which you are now using significant quantities of a substitute material whose current unit cost is lower than the current unit cost of the material used by you during the base period. However, if the current unit cost of the substitute material is the same or higher than the current unit cost of the material used by you during the base period, you may use Method 1, but without making any allowance for the higher cost of the substitute material.

Sec. 20. *Inclusion of transportation costs in the computation of net cost of a manufacturing material as of a prescribed date.* If a quotation, invoice, contract, or written offer which you use under section 18 did not include transportation costs for delivery of the material to you, you may add the actual amount of the transportation costs which you paid or would have paid for delivery of the material to you, provided that you include them in your determination of the net price of the material as of both dates.

Sec. 21. *Calculation of the increase in net cost per unit of materials covered by Appendix C—*(a) *General description of this section.* You will be concerned with this section only if a manufacturing material you propose to include in your calculations of "the materials cost adjustment" is one of the agricultural commodities listed in Appendix C or a product processed therefrom. Appendix C lists certain agricultural commodities selling below the minimum prices required to be reflected to producers by section 402 (d) (3) of the Defense Production Act of 1950. The following paragraphs of this section contain, among

other things, special instructions relating to the particular dates to be used in your calculations of cost increases of these commodities.

(b) *Calculation by manufacturers of food products.* If the commodity you are pricing is a food product you may, subject to the limitations in paragraph (d) of this section, use a current date in figuring the change in net cost per unit of any of the agricultural commodities listed in Appendix C, or of any food products processed from these listed agricultural commodities.

(c) *Calculation by manufacturers of non-food products.* (1) If the commodity you are pricing is a non-food product you may, subject to the limitations in paragraph (d) of this section, use a current date in figuring the change in net cost per unit of any of the agricultural commodities listed in Appendix C, but you must use March 15, 1951, as the date for figuring the change in net cost per unit of any products processed from those listed agricultural commodities.

(2) If the commodity you are pricing is made in whole or in substantial part from a product processed from a listed agricultural commodity, and you believe that the increase in cost to you, since March 15, 1951, of that processed product is due to an increase in the price of the listed agricultural commodity, you may apply to the Director of Price Stabilization for permission to adjust your ceiling price to reflect that increase in price. Your application must describe the commodity being priced and specify its ceiling price; and must contain a statement based upon a report from your supplier as to what portion of the increase in his price to you of that processed product is directly attributable to the increase in price of the listed agricultural commodity. If the Director of Price Stabilization is satisfied that the information submitted by you shows that only the amount of the increase in price of the listed agricultural commodity is reflected in the adjustment you seek, he will approve your application. If, however, he is not satisfied that you have made such a showing, he may withhold approval of your application and require that you furnish additional information. If thirty days after mailing your application you have not received a reply from the Director of Price Stabilization, you may sell at the adjusted ceiling price you propose until such time as you are notified otherwise by the Director.

(d) *Limitations on calculations by all manufacturers*—(1) *Old inventory.* After you have made your first calculation under this section, you may become entitled to increase the ceiling price of the commodity being priced, if the cost to you of a listed agricultural commodity (or product processed therefrom) has increased. But you may not put the ceiling price increase into effect unless and until you have first sold an amount of the commodity you are pricing which is at least equal to the quantity you owned at the close of business on the day you otherwise would have been entitled to put that ceiling-price increase into effect under this section.

(2) *Removal from listing.* You may not, in figuring the change in net cost of a listed agricultural commodity or product processed therefrom use any date subsequent to the date of deletion of the listed agricultural commodity from Appendix C by the Director of Price Stabilization or any date more than five days subsequent to the date upon which the Secretary of Agriculture announces for the agricultural commodity, by publication in "Agricultural Prices," a price which equals or exceeds both (i) the parity price as set forth in the same publication and (ii) the highest price received by producers of the agricultural commodity during the period May 24 to June 24, 1950, inclusive, both as determined and adjusted by him.

(e) *Definition of "food product".* The term "food product" refers to a commodity used for, or as an ingredient in, food, drink, confectionery, or condiment by man or other animals, whether simple, mixed, or compound; and fats and oils used for cooking purposes or in the preparation of food for immediate consumption.

SEC. 22. *How to calculate "the materials cost adjustment" for joint products or by-products.* This section will concern you only if you manufacture joint products or by-products. If two or more commodities result from the same manufacturing operation or from common materials and you are unable to compute the unit manufacturing materials costs for each under section 14, you calculate "the materials cost adjustment" for each as follows:

(a) Establish an appropriate combined unit of production in which are represented the several commodities in the proportions in which they result from the same manufacturing operation or from common materials. (For example, if a manufacturing operation yields, for each ton of commodity A produced, 3 gallons of commodity B and 520 pounds of commodity C, your combined unit of production could be: one ton of A, three gallons of B and 520 pounds of C; or one gallon of B, 1/3 ton of A and 173.3 pounds of C; or any other combination in which the proportions among the three commodities are maintained.)

(b) Find the dollar value of the combined unit of production using base period prices for each commodity, determined in accordance with section 3. (If the base period price for commodity A was $10 per ton, for commodity B was $1 per gallon and for commodity C was $0.10 per pound, the dollar value of the combined unit of production would be $65 under the first example in (a) above and $21.67 under the second example in (a) above.)

(c) Using the same calculations as in section 14 (substituting, of course, the combined unit of production for the unit referred to therein), compute the increase in manufacturing materials cost per combined unit of production.

(d) Divide the increase in manufacturing materials cost per combined unit of production by the dollar value of that unit as determined under paragraph (b) of this section.

(e) Apply this percentage to the base period price of each of the commodities being priced. The resulting figure for each commodity is "the materials cost adjustment" to be added to the base period price in accordance with section 3 (a).

Example: The total increase in manufacturing materials cost for the combined unit of production illustrated in paragraph (b) above, calculated in accordance with section 14, is $13. $13 divided by $65 is 20 percent. Consequently, "the materials cost adjustment" for commodity A is 20 percent of $10, or $2 per ton; for commodity B is 20 percent of $1, or 20 cents per gallon; and for commodity C is 20 percent of $0.10, or 2 cents per lb.

SEC. 23. *How to calculate the change in net cost of a manufacturing material which is produced in one unit of your business and transferred to another unit of your business.* (a) You will be concerned with this section if you are a multi-unit organization and in your operations you transfer products for further processing or assembly between units of your business for which you regularly maintain separate records. By way of illustration, such transfers may be between departments, plants, branches or divisions. This section deals specifically with a manufacturing material which you produce in one unit of your business and transfer to another unit of your business where it is used in producing the commodity being priced. Such a manufacturing material (which is referred to as a "transferred material") may also be sold to other persons. This section provides three methods for figuring the change in cost of a transferred material in your calculation of "the materials cost adjustment" for the commodity being priced. The method you use depends first on how you calculated "the labor cost adjustment" for the commodity being priced

and second, on whether you also sell the transferred material to other persons.

(b) If you calculated "the labor cost adjustment" for the commodity being priced upon the basis of your entire business or of a unit of your business that included the unit in which the transferred material is produced, you may not in calculating the change in cost of that material include any increase in factory labor cost. Your calculation of the change in cost of the transferred material will therefore only take into account changes in the costs of the manufacturing materials directly related to the transferred material. Such change in cost of the transferred material will be included in your calculation of "the material cost adjustment" for the commodity being priced.

(c) If your calculation of "the labor cost adjustment" for the commodity being priced was not based upon your entire business or upon a unit of your business that included the unit in which the transferred material is produced and if the transferred material is one you sell to other persons, you calculate its change in cost as follows:

(1) Find its base period price (i. e., to your largest buying class of purchaser).

(2) Find its ceiling price under this regulation to your largest buying class of purchaser, or if it is listed in Appendix A, its ceiling price under the applicable ceiling price regulation.

(3) The difference between the figure found under (2) and that found under (1) is the increase or decrease in the cost of the transferred material which you use in calculating "the materials cost adjustment" for the commodity being priced.

(d) If your calculation of "the labor cost adjustment" for the commodity being priced was not based upon your entire business or upon a unit of your business that included the unit in which the transferred material is produced and if that material is not one you sell to other persons you calculate its change in cost as follows:

(1) Find the value as shown in your records at which the transferred material was transferred, last prior to the end of your base period (i. e., the base period for the commodity being priced), to the unit of your business in which the commodity being priced is produced.

(2) Using that transfer price as your base period price, determine what the ceiling price would be under this regulation, or such other regulation as would be applicable.

(3) The difference between the figure found under (2) and that found under (1) is the increase or decrease in cost of the material to be used in calculating "the materials cost adjustment" for the commodity being priced.

Example: You are pricing a camera the lens for which you produce. The following paragraphs illustrate the application of the three methods prescribed in section 23.

(a) You have treated the department in which the camera is assembled and the department in which the lens is produced as a single unit in computing "the labor cost adjustment" for the camera. You purchase on the outside the optical glass used in the lens. "The materials cost adjustment" for the camera may include, as far as the lens is concerned, only the change in cost of the purchased optical glass.

(b) In calculating "the labor cost adjustment" for the camera you used only the assembly department. You also sell the lens to others and calculated "the labor cost adjustment" for the lens upon the basis of the lens department. Therefore, in calculating "the materials cost adjustment" for the camera, the change in cost of the lens will be the difference between your ceiling price for the lens under this regulation to your largest buying class of purchaser, and your base period price for the lens to that class of purchaser.

(c) Assume the same facts as in (b) except that you produce the lens exclusively for your own use. You must compute what the ceiling price for the lens would be under this regulation, using the value at which the transfer between departments was made on your books last prior to the end of the base period. The difference between your computed ceiling price and your base period transfer value is the amount you use in calculating "the materials cost adjustment" for the camera.

SPECIAL PROVISIONS RELATING TO CEILING PRICES

SEC. 24. *General nature of these provisions.* Sections 25 through 29 relate to adjustments of your ceiling prices under certain circumstances. Section 25 relates to rounding ceiling prices. Section 26 relates to retention of ceiling prices established under the General Ceiling Price Regulation where the change in price is less than 1 percent. Section 27 requires that you reduce your ceiling prices to reflect any increase in the value of scrap or waste material generated in your manufacturing processes. Section 28 permits you to adjust your ceiling prices quoted on a delivered basis for certain increases in transportation costs. Section 29 provides an optional method for adjusting your ceiling prices for commodities manufactured in more than one of your plants.

SEC. 25. *Rounding ceiling prices.* You may round your ceiling prices determined under this regulation so that they will be expressed in the nearest cents or fraction of cent you normally employ. If you elect to do so you must similarly round the ceiling prices for all your commodities normally priced by you upon the same basis, to reflect decreases as well as increases. In no event may the increase be greater than 1 percent of your ceiling price prior to rounding. For example, if you normally quote to the nearest quarter of a cent and your ceiling price for commodity A is 21.20 cents, you may round that ceiling price to 21¼ cents. However, if your ceiling price for commodity B is 27.30 cents you must round its ceiling price to 27¼ cents.

SEC. 26. *Retention of GCPR ceiling price where the change in price is less than 1 percent.* If your ceiling price for a commodity as determined under section 3 differs by less than 1 percent from that under the General Ceiling Price Regulation, you may continue to use your GCPR ceiling price. However, you may use this section only if you apply it to all your ceiling prices determined under section 3 differing by less than 1 percent from the GCPR ceiling prices, regardless of whether decreases or increases result. For example, your GCPR ceiling price for commodity A is $10 and your ceiling price under section 3 is $9.95. Your GCPR ceiling price for commodity B is $8 and your ceiling price under section 3 is $8.05. You may continue to use $10 as your ceiling price for commodity A, but if you do so you must continue to use $8 as your ceiling price for commodity B.

SEC. 27. *Requirement for reduction of your ceiling prices as otherwise determined for any increase in value of scrap or waste material.* (a) You will be concerned with this section if in the manufacturing process relating to the commodity being priced you generate any scrap or waste material which you sell to other persons or which is transferred from one unit of your business to another, and if, between the end of your base period and March 15, 1951, there has been an increase in the value of such scrap or waste material. However, you need not make the adjustment called for in this section unless your sales of scrap or waste material are significant. They will be considered significant if, for the plant or other unit of your business in which the commodity being priced is produced, the value of your sales or transfers of scrap or waste material exceeded 3 percent of the total value of your sales or transfers of all commodities from that plant or unit during your most recent fiscal year ended not later than December 31, 1950.

(b) In the circumstances described in paragraph (a) of this section where your sales of scrap or waste material are significant you must make an appropriate reduction in the ceiling prices for each of the commodities resulting from your manufacturing process to reflect the dollars-and-cents amount by which the value of the scrap or waste material generated in the manufacturing process had increased between the end of your base period and March 15, 1951. In calculat-

ing this increase in value you should use a method comparable to the one you employed for your calculation of "the materials cost adjustment" for the commodity being priced. For instance, if you used Method 2 (section 14) you should calculate the increase in value of your scrap or waste material per unit of the commodity being priced; if you used Method 1 (section 13) you should calculate the increase in value of your scrap or waste material by an aggregate method. The resulting dollars-and-cents amount reflecting the increase in value of your scrap or waste material per unit must be subtracted from your ceiling price as otherwise determined under this regulation.

SEC. 28. *Adjustment of ceiling prices quoted on a delivered basis for increases in transportation costs.* If your base period price was, and therefore your ceiling price is, a delivered price, you may adjust your ceiling price to reflect any increase, between the end of your base period and March 15, 1951, in transportation costs incurred by you (not including warehousing charges). You may include in this adjustment only increases resulting from transportation charges paid by you to other persons (excluding any person who is an employee, subsidiary or affiliate of yours or of whom you are a subsidiary or affiliate). This adjustment is made in the following manner:

(a) Where your base period price for the commodity being priced included full transportation costs from point of shipment to point of delivery, you may adjust your ceiling price by the exact amount of the increase in transportation rates to you between such points, charged by the same carrier or class of carrier for the same class of transportation. You may not include any increase due to changing the class of carrier (e. g., from water or highway to rail) or to changing your customary method or quantity of shipment.

(b) Where your base period price was uniform within defined geographical zones but you maintained an established differential between each zone, you may calculate a transportation cost increase adjustment to be applied to the ceiling price for sales to each zone. This calculation is made in the following manner:

(1) Find the average transportation charge paid by you for deliveries of the commodity being priced to each zone during your last accounting period of not less than three months, ended not later than the end of your base period. If your base period is April 1 through June 24, 1950, you should use your last accounting period of not less than three months, ended not later than June 30, 1950.

(2) Find what the average transportation charge paid by you for deliveries of that commodity to each zone would be, using the transportation rates actually in effect on March 15, 1951.

(3) The dollars-and-cents amount of the difference between the average transportation charge found under (2) and that found under (1) for each zone may be added to your ceiling price for sales to that zone.

(c) Where your base period price was uniform for all sales of the commodity being priced to any destination within the United States, you may calculate a single transportation cost increase adjustment to be applied to the ceiling price for all sales within the United States in the same manner as under paragraph (b) of this section, treating the United States as a single zone.

SEC. 29. *Optional method for determining a uniform ceiling price for a commodity manufactured in more than one plant.* If the commodity being priced is manufactured in more than one of your plants and is customarily sold by you at a uniform price, but in adjusting the base period price for each plant different ceiling prices result, you may compute a uniform ceiling price. To do this, you first determine the ceiling price for each plant and multiply it by the number of units of the commodity sold from that plant during the last quarter of 1950. You then divide the total dollar amount of such sales from all plants by the total number of units sold from all plants. The resulting figure is your uniform ceiling price for the commodity. If sales from any of your plants in the last quarter of 1950 were not substantial, you may use the last three consecutive months of substantial sales in 1950, provided that you use the same period for all your plants.

Example: You are producing the same commodity in two plants, and customarily charge the same price from each. However, due to a difference in your wage rate changes, your ceiling price for plant A is $2.00, and for plant B is $2.10. Sales during the last quarter of 1950 were 1500 units from plant A, and 1000 units from plant B. 1500 multiplied by $2.00 is $3,000; 1000 multiplied by $2.10 is $2,100; 1500 plus 1000 is 2500; $3,000 plus $2,100 is $5,100; $5,100 divided by 2500 is $2.04. You may therefore use the uniform ceiling price of $2.04 for sales from both plants.

CEILING PRICES FOR NEW COMMODITIES, NEW SELLERS AND SALES TO NEW CLASSES OF PURCHASERS

SEC. 30. *Ceiling prices for new commodities differing only by reason of minor changes from commodities whose ceiling prices are established under this regulation—(a) Ceiling price for a commodity first offered for sale between June 25, 1950, and May 27, 1951.* The ceiling price for a commodity first offered for sale by you between June 25, 1950 and May 27, 1951, differing from a commodity you dealt in during the period July 1, 1949 to June 24, 1950, only by reason of a minor change in design or construction which does not reduce unit manufacturing materials cost or prevent its offering fairly equivalent service, shall be the ceiling price for the previous commodity established under this regulation. If you are no longer manufacturing the previous commodity, you must establish a ceiling price for it in accordance with this regulation and use that ceiling price as the ceiling price for the commodity being priced. If the new commodity differs from the previous commodity only by reason of the use of a substitute material the new commodity must be priced under section 3.

(b) *Ceiling price for a commodity first offered for sale subsequent to May 27, 1951.* The ceiling price for a commodity first offered for sale by you subsequent to May 27, 1951, differing from a commodity for which your ceiling price is established under this regulation only by reason of minor changes in material, design or construction which do not reduce unit manufacturing materials cost or prevent its offering fairly equivalent service, shall be the ceiling price for the previous commodity as established under this regulation. If you are no longer manufacturing the previous commodity, you must establish a ceiling price for it in accordance with this regulation and use that ceiling price as the ceiling price for the commodity being priced.

SEC. 31. *Optional method for determining ceiling prices for packaged commodities to reflect cost increases since your base period by changing size or quantity.* This pricing method may be used in place of section 32 under the circumstances indicated herein. If you wish to use your base period price for a packaged commodity as your ceiling price and to reduce the size or quantity of that commodity to reflect any permissible cost increases since the end of your base period, you may do so in the following manner:

(a) Determine your ceiling price for the commodity in its base period size or quantity.

(b) Calculate the ratio between your base period price for the commodity and your ceiling price.

(c) Apply this ratio to the base period size or quantity of the commodity. The resulting size or quantity is the minimum for which you may use your base period price as your ceiling price.

Example: Your base period price for a 10-ounce package of commodity A was 25 cents and you wish to retain that price as your ceiling price. Your ceiling price for a 10-ounce package of commodity A as determined under this regulation is 30 cents. 25 cents divided by 30 cents is 83.3 percent. 10 ounces multiplied by 83.3 percent is 8 and one-third ounces. Your ceiling price for a package of commodity A containing not less than 8 and one-third ounces is therefore 25 cents.

SEC. 32. *Ceiling prices for new commodities falling within categories dealt in during your base period*—(a) *Description of the pricing method.* This section deals with a commodity which cannot be priced under sections 3 or 30, but which falls within a "category" in which you dealt during your base period. You determine your ceiling price by applying to the current unit direct cost of that commodity the percentage markup over the current unit direct cost of a "comparison commodity" (using your ceiling price for the comparison commodity under this regulation), in accordance with the following instructions.

(b) *Current unit direct cost.* "Current unit direct cost" as used in this section means the sum of the amounts (not higher than permitted by law) which it costs you, or if you are not currently producing it, would cost you for direct labor and materials to produce the commodity at the time you use the pricing method provided by this section. Current unit direct materials cost shall be computed upon the basis of current replacement prices for materials and current unit direct labor cost shall be computed upon the basis of current wage rates for direct labor. The method used in computing current unit direct materials cost and current unit direct labor cost for the new commodity and for the comparison commodity shall be the same in every respect.

(c) *Selection of a comparison commodity.* The comparison commodity to be used must be in the same category as the commodity being priced and shall be the first of the following which is available to you:

(1) A commodity dealt in during your base period differing from the commodity being priced only by reason of a minor change in size or quantity or of packaging.

(2) A commodity dealt in during your base period that you are now manufacturing which is most nearly like the commodity being priced and which has current unit direct cost the same or lower than that of the commodity being priced.

(3) A commodity dealt in during your base period that you are no longer manufacturing which is most nearly like the commodity being priced and whose current unit direct cost would be the same or lower than that of the commodity being priced.

(4) A commodity dealt in during your base period that you are now manufacturing which is most nearly like the commodity being priced and whose current unit direct cost is next higher to that of the commodity being priced.

(5) A commodity dealt in during your base period that you are no longer manufacturing which is most nearly like the commodity being priced and whose current unit direct cost would be next higher to that of the commodity being priced.

(d) *Calculations to determine your ceiling price.* Having selected the appropriate comparison commodity, you determine your ceiling price as follows:

(1) Determine your ceiling price for sale of the comparison commodity to your largest buying class of purchaser if you are now manufacturing it, or what it would be if you are no longer manufacturing it, using either sections 3 or 30 of this regulation, whichever is applicable.

(2) Determine the current unit direct cost of the comparison commodity, if you are now manufacturing it, or what it would be, if you are no longer manufacturing it.

(3) Subtract the current unit direct cost derived under (2) from the ceiling price derived under (1). This will give the gross dollar margin over current unit direct cost for the comparison commodity.

(4) Divide this gross dollar margin over current unit direct cost by the current unit direct cost of the comparison commodity. This will give the percentage markup over current unit direct cost for the comparison commodity.

(5) Apply this percentage markup to the current unit direct cost of the commodity being priced. This is your ceiling price for sale of that commodity to your largest buying class of purchaser. It must be consistent in every respect with the ceiling price for the comparison commodity, i. e., it must carry your customary delivery terms, cash, trade and volume discounts, allowances, premiums and extras, deductions, guarantees, servicing terms and other terms and conditions of sale. Your ceiling price for sale of the commodity to each of your other classes of purchasers shall be determined in the same manner as under section 3 (c).

Example: (i) Your comparison commodity is one you are no longer manufacturing. You find that its ceiling price under this regulation would be $10. (ii) The current unit direct cost of the comparison commodity would be $6. (iii) $6 subtracted from $10 is $4. This is the current gross dollar margin over direct cost for the comparison commodity. (iv) $4 divided by $6 is 66.7%. This is the percentage margin over direct costs for the comparison commodity. (v) The current unit direct cost for the commodity being priced is $7.50. 66.7% of $7.50 is $5.00. $7.50 plus $5.00 is $12.50. This is your ceiling price for the commodity being priced.

(e) *Category.* Category means a group of commodities which are normally classed together in your industry for purposes of production, accounting or sales. Section 46 of this regulation continues in effect certain provisions of section 16 of the General Ceiling Price Regulation which among other things prescribes that you must prepare and preserve a list of your categories. If the list you have prepared is not representative of your categories during your base period for this regulation, you should prepare such a list by May 28, 1951 and thereafter preserve it. In applying the pricing provisions of this section, you should refer to it. You might, for example, have a category such as one of the following: desks, office, steel; desks, office, wood; dishwashers, domestic; ranges, domestic, electric; ranges, domestic, gas; refrigerators, household; room air conditioner to 1 h/p; vacuum cleaners, domestic; washing machines, domestic.

(f) *Required report.* Before selling any commodity for which you have determined a ceiling price under this section, you must file the report required by paragraph (g) of this section with the Director of Price Stabilization, Washington 25, D. C., and in addition you may not sell the commodity until 15 days after mailing your report; thereafter you may sell the commodity at your proposed ceiling price unless and until notified by the Director of Price Stabilization that your proposed ceiling price has been disapproved or that more information is required. In the event that more information is required you may not sell until 15 days after mailing the additional information.

In case, however, the commodity is one required to be priced under this section, and which, prior to the effective date of this regulation, you sold or offered for sale upon the basis of a ceiling price determined under the General Ceiling Price Regulation, you may continue to use your GCPR ceiling price until June 12, 1951.

(g) *Information required in report.* Your report should state the name and address of your company; a description of the commodity being priced; the comparison commodity and an explanation why you have selected the comparison commodity as such; a description of the category in which the commodity being priced and the comparison commodity fall; your ceiling price to the largest buying class of purchaser of your comparison commodity, or if you are not now manufacturing it what this ceiling price

would be; a detailed breakdown of the current unit direct cost of the comparison commodity, or what it would be; the gross margin, and the percentage markup over current unit direct cost for the comparison commodity; a detailed breakdown of the current unit direct cost of the commodity being priced; the ceiling price of the commodity being priced; delivery, discount, guaranty and servicing terms and conditions and differentials in effect for sales to purchasers of various classes with respect to the comparison commodity.

SEC. 33. *Ceiling prices for commodities in new categories, for new sellers and for sales to an entirely new class of purchaser.* (a) (1) If you are pricing a commodity which is in a different category from any dealt in by you between July 1, 1949 and June 24, 1950, or which you are selling to an entirely new class of purchaser as referred to in section 3 (c), your ceiling price is the same as the ceiling price of your most closely competitive seller of the same class selling the same commodity to the same class of purchaser. A ceiling price so determined must be in line with the level of ceiling prices otherwise established by this regulation.

(2) Before selling any commodity for which you have determined a ceiling price under this section, you must file the report required by paragraph (b) of this section with the Director of Price Stabilization, Washington 25, D. C., and in addition, you may not sell the commodity until 15 days after mailing your report; thereafter, you may sell the commodity at your proposed ceiling price unless and until notified by the Director of Price Stabilization that your proposed ceiling price has been disapproved or that more information is required. In the event that more information is required you may not sell until 15 days after mailing the additional information.

(3) In case, however, the commodity is one required to be priced under this section, and which, prior to the effective date of this regulation, you sold or offered for sale upon the basis of a ceiling price determined under the General Ceiling Price Regulation, you may continue to use your GCPR ceiling price until June 12, 1951.

(b) *Required report.* Your report should state the name and address of your company; the new categories in which the commodities fall and the most comparable categories dealt in by you during the base period; the name, address and type of business of your most closely competitive seller of the same class; a statement of his ceiling price and his differentials to each of his classes of purchasers; your reasons for selecting him as your most closely competitive seller; a statement of your customary price differentials; and, if you are selling to an entirely new class of purchaser, a description of such class of purchaser. If you are starting a new business, you should include a statement whether you or the principal owner of your business are now or during the past 12 months have been engaged in any capacity in the same or a similar business at any other establishment, and, if so, the trade name and address of each such establishment. Your report should include the following: Your proposed ceiling price and the specifications of the commodity you are pricing; the manufacturing process involved; a detailed breakdown of your unit direct costs; the reason you believe the proposed ceiling price is in line with the level of ceiling prices otherwise established by this regulation; and the types of customers to whom you will be selling.

MISCELLANEOUS PROVISIONS

SEC. 34. *Sellers who cannot price under other sections.* If you claim that you are unable to determine your ceiling price for a commodity under any of the foregoing provisions of this regulation, you may apply in writing to the Director of Price Stabilization, Washington 25, D. C., for the establishment of a ceiling price. This application shall contain an explanation of why you are unable to determine your ceiling price under any other provision of this regulation; all of the information called for under section 33 to the extent you are able to furnish it; and the method used by you to determine your proposed ceiling price. You may not sell the commodity until the Director of Price Stabilization notifies you, in writing, of your ceiling price.

SEC. 35. *Export sales.* Your sales for export are subject to the provisions of this regulation.

SEC. 36. *Excise, sales, and other similar taxes*—(a) *Where the tax is included in your base period price.* If your base period price for a commodity you are using to determine your ceiling price either for that commodity or another commodity includes any excise, sales or other similar tax which is not separately stated, you must first ascertain the amount of any such tax and exclude it from your base period price. Your base period price, with any such tax so excluded, may then be used in making any appropriate computations for determining your ceiling price. After completing the computations, you may then add on the appropriate amount of any such tax for inclusion as part of your ceiling price. In the case of any increase in such a tax subsequent to the end of your base period, you may include the appropriate amount of any such increase as part of your ceiling price. Likewise, in the case of any similar tax first imposed subsequent to the end of your base period and included in your selling price thereafter, you may include the appropriate amount of such tax as part of your ceiling price.

(b) *Where the tax is separately stated and collected.* In addition to your ceiling price determined under this regulation, you may collect the amount of any excise, sales or other similar tax paid by you as such only if it has been your practice to state and collect such taxes separately from your selling price for the same or similar commodities. In the case of such a tax imposed by law which is not effective until after the effective date of this regulation, or of any increase in such a tax subsequent to the effective date of this regulation, you may collect the amount of the tax actually paid as such by you, if not prohibited by the tax law. You must in all such cases state separately the amount of the tax.

SEC. 37. *Prohibition against redetermination of ceiling prices.* Once you have reported your ceiling price or a proposed ceiling price for a commodity as required by this regulation, you may not thereafter redetermine it except for redeterminations due to the increase in cost of agricultural commodities or products processed therefrom in accordance with section 21. A purely arithmetical error may, however, be corrected, but the correction must be reported to the Director of Price Stabilization.

SEC. 38. *Modification of ceiling prices by the Director of Price Stabilization.* The Director of Price Stabilization may at any time disapprove or revise downward ceiling prices proposed to be used or being used under this regulation so as to bring them into line with the level of ceiling prices otherwise established by this regulation.

SEC. 39. *Recalculation of ceiling prices and announcement of "materials cost increase factors".* The Director of Price Stabilization expects in due course to issue an amendment to this regulation providing for a recalculation of your ceiling prices hereunder. The primary purpose of this recalculation would be to reflect more accurately the materials prices established by this and other ceiling price regulations. The Director of Price Stabilization may also from time to time announce "materials cost increase factors" for certain materials in order to provide greater uniformity in the calculation of their change in price since the end of your base period. These factors will be percentage figures based

on studies of some categories of important basic materials and parts. If such a factor is announced, it must be used in place of any change you have had in the price of the material covered by the factor, regardless of whether the factor is higher or lower. These "materials cost increase factors" may be announced by amendments or by supplementary regulations to this regulation.

SEC. 40. *Adjustable pricing.* Nothing in this regulation shall be construed to prohibit your making a contract or offer to sell a commodity at (a) the ceiling price in effect at the time of delivery or (b) the lower of a fixed price or the ceiling price in effect at the time of delivery. You may not, however, deliver or agree to deliver a commodity at a price to be adjusted upward in accordance with any increase in a ceiling price after delivery.

SEC. 41. *Petitions for amendment.* If you wish to have this regulation amended, you may file a petition for amendment in accordance with the provisions of Price Procedural Regulation 1 (15 F. R. 9055).

SEC. 42. *Supplementary regulations.* The Director of Price Stabilization may issue supplementary regulations modifying or implementing this regulation as he deems appropriate.

SEC. 43. *Adjustment of ceiling prices where over-all loss in operations results.* (a) This section permits you to apply for an upward adjustment of your ceiling prices established by this regulation, if as a result of these ceiling prices, you would operate at a loss.

(b) You may apply under this section if:

(1) Your total manufacturing operations have been conducted at a net loss for a period of operation under this regulation of at least one month, or would have been conducted at a loss if you had manufactured the commodities covered by this regulation in your customary quantities and proportions;

(2) The loss was attributable to the level of prices established by this regulation, and not to any of the following:

(i) Seasonal, non-recurring or temporary factors affecting your operations; or

(ii) A reduction in volume of production below the normal economical capacity of your plant; or

(iii) The payment of unlawful wages or excessive salaries or of unlawful or excessive prices for materials; or

(iv) The incurring of factory overhead costs or of selling, administrative and general costs which are abnormally high relative to sales or other costs unless such excess is demonstrated by clear and convincing evidence to have been unavoidable in the exercise of sound business judgment and management; or

(v) Any transactions with affiliated corporations or businesses which either are of a kind which would not result from arm's-length bargaining or differ from the transactions which you have customarily had with such affiliated corporations or businesses; or

(vi) Reserves for contingencies.

(3) The adjusted prices for which you apply will not be substantially out-of-line with the ceiling prices for similar commodities established for other sellers under this regulation.

(c) If you make application under this section, you must supply:

(1) Your name, address, a description of your manufacturing facilities and of the commodities you manufacture, a statement of the principal types of customers to whom you sell;

(2) A detailed annual profit and loss statement for your firm for the years 1946 through 1949, and both an annual profit and loss statement, and if you regularly prepare them, quarterly profit and loss statements covering the year 1950 and each quarter since then;

(3) A detailed profit and loss statement covering a period of operations of one month or more under this regulation, together with a careful explanation of how it was prepared, including particularly a justification of any estimating procedures used in its preparation;

(4) For commodities covered by this regulation, either (i) a statement of your base period and ceiling prices to your largest buying class of purchaser (including delivery terms, cash, trade and volume discounts, allowances, premiums and extras, deductions, guarantees, servicing terms and other terms and conditions of sale) and a schedule of your price differentials to your other classes of purchasers; or (ii) a copy of the report required and submitted to the Office of Price Stabilization; together with (iii) a statement of the section or sections under which you established your ceiling prices.

(5) A showing that the loss in your current operations was not due to any of the six factors in paragraph (b) (2) of this section.

(6) A list of your principal competitors, and a statement of their ceiling prices under this regulation for commodities similar to yours, together with data showing the past relationship of your prices to those they have charged for the same or similar commodities;

(7) A proposed schedule of adjusted ceiling prices for commodities covered by this regulation, and a demonstration that, if these prices were charged, your operations would be at a break-even position.

(8) The application must refer specifically to this section of the regulation, must be signed by a responsible officer of your company, and should be sent to the Office of Price Stabilization, Washington 25, D. C.

(d) Within thirty days of the receipt of your application, the Director will grant or deny your application in full or in part, or request further information. The Director may, as a condition of granting your application in full or in part, require you to submit reports of subsequent operations and may revoke or modify the adjustment at any time. If, thirty days after the acknowledgment of receipt of your application, none of the actions listed above has been taken, you may sell at your proposed ceiling prices until such time as the Director shall notify you that these prices have been disapproved.

SEC. 44. *Use of "conversion steel" in calculating "the materials cost adjustment"*—(a) *Purpose of this section.* In calculating "the materials cost adjustment" for a commodity under this regulation, you are not permitted to reflect in your calculations any increase in materials cost occasioned by use of so-called "conversion steel". However, if you believe that this requirement imposes upon you a serious inequity because you are required by NPA Order M-47 (16 F. R. 3130) of the National Production Authority to use more conversion steel than you used in your base period, you may apply for permission to reflect such increase in your calculation of "the materials cost adjustment".

(b) *How to apply.* Under the circumstances described in paragraph (a) of this section, you may make application, signed by a responsible officer of your company, and sent by registered mail, to the Office of Price Stabilization, Washington 25, D. C., referring specifically to this section and supplying the following information:

(1) A statement describing the nature of your manufacturing operations, and, particularly, the commodities in which conversion steel is used.

(2) A detailed statement showing all of your purchases of steel (whether conversion steel or not) in your base period, and in the three months ended March 31, 1951, listing, for each such purchase, the date, the name and address of the supplier, the exact specifications of the steel purchased, the price paid (including all discounts, extras, terms, delivery charges, etc.), and the amount purchased. If you sold any steel in either of these periods, you must give full details as to such sales.

(3) A detailed statement establishing the amount of "conversion steel" you are

required to use under NPA Order M-47 of the National Production Authority.

(4) A detailed statement showing how you propose to reflect in your calculation of "the materials cost adjustment" the increase, since the end of your base period, in the cost of steel (including conversion steel), in the amount and to the extent that you are required to use such steel under NPA Order M-47 of the National Production Authority.

(c) *Action on your application.* Within thirty days after the receipt of the application described above, the Director will grant or deny, in whole or in part, your application, or notify you that further information is required. If, at the end of thirty days, the Director has done none of the above, you may begin to sell at ceiling prices calculated in accordance with "the materials cost adjustment" you propose. (In the meantime you may, after the effective date of this regulation, sell at a ceiling price calculated without reference to your use of conversion steel.) At any time thereafter, the Director may notify you that further information is required or may deny your application, in whole or in part, but such denial shall not be retroactive as to deliveries previously made.

SEC. 45. *Temporary adjustments to carry out existing contracts*—(a) *Who may apply for adjustment.* If at any time prior to the issuance date of this regulation, you entered into a bona fide contract for delivery of a commodity at a firm price subsequent to the effective date of this regulation, and if your ceiling price as determined under this regulation is lower than the contract price, you may apply to the Director of Price Stabilization for an adjustment of your ceiling price, *Provided:*

(1) The contract for future delivery was required by seasonal demands or normal business practices.

(2) The contract, if entered into subsequent to January 26, 1951, called for deliveries at a price which was lawful under ceiling price regulations in effect at that time.

(3) You acquired needed raw materials or component parts after the date of the contract at lawful prices in reliance upon and in order to fulfill the terms of the contract.

(b) *Calculation of the amount of the adjustment.* The adjusted ceiling price will be fixed in the following way:

(1) Take the total price of the quantity of raw materials or component parts acquired in reliance upon, and necessary in order to fulfill, the contract.

(2) Compute what the total price of the same quantity of raw materials or component parts would be as of the later of the two applicable prescribed dates used for your calculation of "the materials cost adjustment". In computing what that total price would be, you will, of course, apply the provisions of section 18.

(3) Subtract the figure arrived at in subparagraph (2) from the figure in subparagraph (1). The result is the total amount of the adjustment. If the figure arrived at in subparagraph (1) is no higher than that arrived at in subparagraph (2), you cannot apply for adjustment under this section.

(4) Divide the total amount of the adjustment by the number of units of the commodity called for by the contract. This gives you the adjustment per unit of the commodity. If the contract calls for the delivery of more than one commodity, the total amount of the adjustment may be distributed in any appropriate way among the several commodities.

(5) Add the adjustment per unit of the commodity under (4) to your ceiling price for that commodity. The result is your adjusted ceiling price. In no event, however, may you obtain an adjusted ceiling price higher than the contract price.

Example: You contracted in January 1951 to supply a mail order house 1,000 units of a commodity at $10.00 per unit, delivery to be made during the months of June, July, and August of 1951. Your ceiling price under this regulation is $9.00. In order to comply with the terms of your contract, you purchased raw material sufficient to produce 600 units at a total cost of $4,200. The cost of acquiring the same raw material as of December 31, 1950 (the later of the two applicable dates used in your calculation of "the materials cost adjustment") would be $3,500. The total adjustment is $700 ($4,200 minus $3,500 equals $700). The total number of units called for in the contract was 1,000. Divide $700 by 1,000. This gives you 70¢. The adjustment per commodity becomes 70¢ and your adjusted ceiling price for the contract $9.70. Subsequent sales to the contract purchaser and all sales to other purchasers must be at the regular ceiling price of $9.00.

(c) *What your application must contain.* Applications for adjustment under this section must be filed on or before August 1, 1951, with the Director of Price Stabilization, Washington 25, D. C. Attached to the application should be the following:

1. A copy of the contract;

2. Copies of invoices covering the raw materials or component parts acquired in reliance upon and in order to fulfill the contract;

3. Copies of invoices or other supporting data which indicate your net cost as of the later of the two applicable dates you used in computing "the materials cost adjustment".

4. A copy of the worksheets used in the calculation of your ceiling price.

5. A report of your adjusted ceiling price and a detailed calculation showing how this price was arrived at.

(d) *Action on your application.* You may not receive payment of any amount in excess of your ceiling price until 30 days after receipt by the Director of Price Stabilization of any application filed under this section. If the Director of Price Stabilization does not revise or modify the adjusted ceiling price reported by you or notify you that further information is required, you may after these 30 days have elapsed receive payment at the adjusted ceiling price for all deliveries made since the date of filing. The Director may, however, at any time revise or modify the adjusted ceiling price, but such revision or modification will not apply to deliveries already made.

SEC. 46. *Records and reports*—(a) *Record-keeping requirements.* (1) With respect to any commodity covered by this regulation the provisions of section 16 of the General Ceiling Price Regulation are hereby continued in effect insofar as they apply to the preparation and preservation of "base period records" and such "current records" as have been made as a result of sales between January 26, 1951, and the effective date of this regulation.[1]

(2) (i) You shall prepare and preserve for the life of the Defense Production Act of 1950 and for two years thereafter all records necessary to determine whether you have computed your ceiling prices correctly, including (but not limited to) records showing base period prices and material and labor costs, and records showing costs, prices, and sales for the other applicable periods and dates referred to in the regulation.

(ii) The records to be preserved under this paragraph must include appropri-

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[1] The portions of the General Ceiling Price Regulation here referred to applicable to manufacturers, are as follows:

SEC. 16. (a) *Base period records.* You must preserve and keep available for examination by the Director of Price Stabilization those records in your possession showing the prices charged by you for the commodities or services which you delivered or offered to deliver during the base period. * * *

(2) In addition, on or before March 22, 1951, you must prepare and preserve a statement showing the categories of commodities in which you made deliveries and offers for delivery during the base period. * * *

(3) On or before March 22, 1951, you must also prepare and preserve a ceiling price list, showing the commodities in each category (listing each model, type, style, and kind), or the services, delivered or offered for delivery by you during the base period together with a description or identification of each such commodity or service and a statement of the ceiling price. Your ceiling price list may refer to an attached price list or catalog. * * *

(4) You must also prepare and preserve a statement of your customary price differentials for terms and conditions of sale and

ate work sheets. Appendix E contains suggested work sheets for the more important calculations required under this regulation. The work sheets to be preserved may be in the form shown in the appendix; they may be in any other convenient form so long as they include all data and calculations required to determine your ceiling prices.

(3) You shall preserve for a period of two years all records showing the prices at which sales of commodities subject to the regulation have been made.

(b) *Reports.* (1) You must file with the Office of Price Stabilization, Washington 25, D. C., on or before the effective date of this regulation one or more reports on Public Form No. 8 in accordance with the instructions which are a part of that form. Copies of the form may be obtained from any Regional or District Office of the Office of Price Stabilization. This Public Form No. 8 is shown in Appendix D. If you report a ceiling price for any commodity higher than your ceiling price under the General Ceiling Price Regulation, you must file your report by registered mail, and you must wait 15 days before selling as provided in section 48.

(2) The Director of Price Stabilization may from time to time require additional information or reports subject to the approval of the Bureau of the Budget under the Federal Reports Act of 1942.

SEC. 47. *Definitions and explanations.*

Category. This term is defined in section 5.

Class of purchaser or purchaser of the same class. Class of purchaser is determined in the first instance by reference to your own practice of setting different prices for sales to different purchasers or groups of purchasers. The practice may (but need not) be based on the characteristics or distributive level of the buyer (for instance, manufacturer, wholesaler, individual retail store, retail chain, mail order house, government agency, public institution). It may (but need not) be based on the location of the purchaser or the quantity purchased by him. If you have followed the practice of giving an individual customer a price differing from that charged others, that customer is a separate class of purchaser.

If in your industry a practice prevails of charging different prices for sales to groups of buyers based on their characteristics or distributive level, any such group to whom you did not make sales during your base period *and* for whom you did not have a customary differential in effect during or before your base period, is a separate class of purchaser as to you.

Commodity. This term includes any item, object, material, article, product or supply.

Delivered. A commodity shall be deemed to have been delivered if it was received by the purchaser or by any carrier, including a carrier owned or controlled by the seller, for shipment to the purchaser.

Director of Price Stabilization. This term also applies to any official (including officials of Regional or District offices) to whom the Director of Price Stabilization by order delegates a function, power or authority referred to in this regulation.

End of your base period. This term means June 24, 1950, if your base period is April 1 through June 24, 1950, or if you elected a previous calendar quarter as your base period in accordance with section 4, it means the last day of that quarter. If, however, you have elected different base periods for different commodities or categories in accordance with sections 4 or 5, the date you will use as the end of your base period is determined as follows:

(a) If you are calculating "the labor cost adjustment" or "the materials cost adjustment" upon the basis of a unit of your business, and your base period is the same for all commodities produced in that unit, the last day of that base period is the end of your base period.

(b) If you are calculating "the labor cost adjustment" upon the basis of your entire business or of a unit of your business and your base period for all of the commodities being priced is not the same, the last day of the particular base period you have elected which covers the group of commodities having the largest aggregate dollar volume of sales in calendar or fiscal year 1950 is the end of your base period for your calculation of "the labor cost adjustment."

(c) If you are calculating the "materials cost adjustment" upon the basis of your entire business or a unit of your business and your base period for all of the commodities being priced is not the same, the last day of the particular base period you have elected for the group of commodities having the largest aggregate dollar volume of sales in calendar or fiscal year 1950 is the end of your base period for your calculation of "the materials cost adjustment."

(d) If you are calculating "the materials cost adjustment" for a commodity under method 2 (section 14) or method 3 (section 15) the end of your base period is the last day of the particular base period you are using.

Largest buying class of purchaser. This term refers to the "class of purchaser" of a commodity which bought from you the largest dollar amount of that commodity during your base period. It does not, however, include the United States or any agency thereof, any foreign purchaser, or any person to whom the only sales made during your base period were made under a written contract of at least 6 months' duration entered into prior to the base period, unless the United States or any agency thereof, any foreign purchaser or such contract purchaser was your only class of purchaser.

Manufacturer. This term includes a producer, processor, assembler, finisher, printer or fabricator. You are not a manufacturer unless you substantially change the form of some commodity or commodities, combine two or more commodities into a different one, or create a new commodity from existing ones. If you merely package, label, market, promote, or sell a commodity or combine commodities without substantially changing their form, you are not a manufacturer. If you merely perform an industrial service for the account of others on a commodity you are not a manufacturer with respect to such a commodity.

Manufacturing material. This term is explained in section 10.

Most closely competitive seller of the same class. Your most closely competitive seller of the same class is the seller with whom you are in most direct competition. You are in direct competition with another seller who sells the same type of commodity to the same classes of purchaser in similar quantities on similar terms and with approximately the same amount of service.

Net cost or net price. Each of these terms refers to the cost or price to you of a manufacturing material less any discount (other than a customary cash discount) or allowance you took or could have taken. It does not include separately stated charges such as freight, taxes, etc.

Net sales. This term refers to gross sales after trade discounts, less returns and allowances. In the case of sales where the selling price is a delivered price, transportation charges should not be deducted.

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classes of purchasers, which you had in effect during the base period.

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(b) *Current records.* If you sell commodities or services covered by this regulation you must prepare and keep available for examination by the Director of Price Stabilization for a period of two years, records of the kind which you customarily keep showing the prices which you charge for the commodities or services. In addition, you must prepare and preserve records indicating clearly the basis upon which you have determined the ceiling price for any commodities or services not delivered by you or offered for delivery during the base period. * * *

"Base period" as used in section 16 of the General Ceiling Price Regulation means December 19, 1950 to January 25, 1951.

Person. This term includes any individual, corporation, partnership, association or any other organized group of persons, or legal successors or representatives of the foregoing, and the United States or any other Government or their political subdivisions or agencies.

Plant. This term refers to a single physical location where business is conducted or industrial operations are performed, for example, a factory or a mill. If such a single physical location comprises two or more units, with separate payroll and inventory records, engaged in distinct industrial activities, each unit shall be treated as a plant.

This definition of "plant" is based on the definition of "a manufacturing establishment" in the Standard Industrial Classification which is consistent with that used by the Bureau of Census in the 1947 Census of Manufactures and subsequent surveys.

Product line. This term is explained in section 15.

Records. This term means books or accounts, sales lists, sales slips, orders, vouchers, contracts, receipts, invoices, bills of lading, and other papers and documents.

Sale at retail. Sale at retail means any sale to an ultimate consumer other than a commercial, industrial, governmental or institutional user.

Sell. This term includes sell, supply (with respect to either commodities or services), dispose, barter, exchange, transfer and deliver, and contracts and offers to do any of the foregoing. The terms "buy" and "purchase" shall be construed accordingly.

Service. This term includes any service rendered or supplied, otherwise than by an employee.

Written offer or written offer for sale. Each of these terms refers to an offer for sale made by means of the seller's price list or, if he had no price list, a written offer otherwise made in the seller's customary manner. The term does not include an offer at a price intended to withhold a commodity from the market or used as a bargaining price by a seller who usually sells at a price lower than his asking price.

You. "You" means the person subject to this regulation. "Your" and "yours" are construed accordingly.

Sec. 48. *Prohibitions.* (a) On and after the effective date of this regulation, regardless of any contract or other obligation, (1) you shall not sell any commodity subject to this regulation at a price exceeding your ceiling price as determined under this regulation, and (2) no person shall buy from you in the regular course of business or trade any commodity subject to this regulation at a price exceeding your ceiling price as determined under this regulation.

(b) On and after the effective date of this regulation you shall not sell any commodity subject to this regulation unless you have complied with the report requirements of sections 32, 33, or 46, whichever is applicable.

(c) In the event your ceiling price for a commodity under this regulation is higher than your ceiling price under the General Ceiling Price Regulation you shall not sell that commodity at a price exceeding your ceiling price under the General Ceiling Price Regulation, except under the following conditions:

(1) You must send by registered mail a report, relating to that commodity, on Public Form No. 8 (shown in Appendix D) to the Director of Price Stabilization, Washington 25, D. C. Copies of this form can be obtained from any Regional or District office of the Office of Price Stabilization.

(2) You must wait 15 days after the date of receipt by the Director of Price Stabilization of the report, as shown on your return receipt.

(3) At the end of that 15-day period, or on or after the effective date of this regulation, whichever is later, you may deliver that commodity at your ceiling price as determined under this regulation, unless and until notified by the Director of Price Stabilization to continue using your GCPR ceiling price, or such higher ceiling price as he may permit, either because your ceiling price proposed under this regulation has been disapproved in whole or in part, or because more information is required.

Sec. 49. *Charges lower than ceiling prices.* Lower prices than those established under this regulation may be charged, demanded, paid or offered.

Sec. 50. *Evasion.* Any practice which results in obtaining indirectly a higher price than is permitted by this regulation is a violation of this regulation. Such practices include, but are not limited to, devices making use of commissions, services, cross sales, transportation arrangements, premiums, discounts, special privileges, tie in agreements and trade understandings.

Sec. 51. *Penalties.* Persons violating any provision of this regulation are subject to the criminal penalties, civil enforcement actions, and suits for treble damages provided for by the Defense Production Act of 1950.

Effective date. The effective date of this regulation is May 28, 1951.

Note.—The record-keeping and reporting requirements of this regulation have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

Michael V. DiSalle,
Director of Price Stabilization.

April 25, 1951.

Appendix A

This regulation does not apply to the commodities and transactions listed below. Most of such commodities and transactions are covered by some other price regulation.

(a) General exemptions: (1) Sales of commodities, the ceiling prices of which are now or are subsequently established by any numbered regulations of the Office of Price Stabilization.

(2) Sales of commodities exempt from the ceiling price provisions of the General Ceiling Price Regulation under sections 5, 6, 7, 8, and 9 of Supplementary Regulation 1 to the General Ceiling Price Regulation (Defense Agency Pricing).

(3) Sales of commodities, the ceiling prices of which are now or may subsequently be exempted from price control by any General Over-Riding Regulation.

(b) General commodity categories:

1. All raw agricultural products.
2. Stumpage, logs, pulpwood, and other raw forest products.
3. Gas, electricity, and steam.
4. All scrap and waste materials.
5. All repair or replacement parts when sold by the manufacturer of the assembled article in the repair of which such parts are designed to be used.

(c) The following food and kindred products:

(1) Fresh meats and semi-sterile canned meats.

(2) Sausage, except dry.

(3) Lard.

(4) Dressed and ready-to-cook poultry, including turkeys.

(5) Dairy products—for the purpose of this regulation, dairy products shall include milk and butterfat and products manufactured or processed in a dairy plant from either milk or butterfat when the milk solids content of the product is greater than the solids content of any other ingredient except sugar.

(6) All canned, frozen, and dried seasonal (meaning products packed at time of harvest from agricultural commodities having a stable seasonal pattern) fruits, berries, and vegetables, and their juices.

(7) Canned soups and baby foods.

(8) Flour, semolina, malt, mill feeds, meal and other animal feed ingredients processed from wheat, grain sorghum, corn, flaxseed, oats, rye and barley, except when sold in cartons of five pounds or less. The word "flour" as used here does not include prepared flour mixes.

(9) Mixed feeds as defined in General Ceiling Price Regulation, Supplementary Regulation 7.

(10) Soybean oil meal, as defined in General Ceiling Price Regulation, Supplementary Regulation 3.

(11) Cottonseed cake and meal.

(12) Fish scrap, fish meal, fish solubles, and specialty fish feed products.

(13) Dog and cat food with fifteen percent or less moisture.

(14) Rice as defined in Ceiling Price Regulation 12.

(15) Bakery products—bread, cakes, hand-made cookies, donuts, pies, pastries, and similar "perishable bakery products" but not including semi-perishable dry bakery products, such as crackers, packaged cookies, pretzels, etc.

(16) Refined sugar—beet and cane.

(17) Chewing gum.

(18) Soft drinks.

(19) Malt beverages.

(20) Wines.

(21) Distilled spirits.
(22) Frozen and dried eggs.
(23) Blackstrap molasses.
(d) All tobacco products.
(e) The following textile mill products:
(1) All wool fibers which have been processed beyond the scouring stage.

(2) Wool yarn and fabrics as defined in Ceiling Price Regulation 18, together with all other yarns and fabrics containing 25% or more wool by weight, however manufactured.

(3) Wool and synthetic yarn floor coverings as defined in Supplementary Regulation 11 to the General Ceiling Price Regulation.

(f) Apparel, including men's, boys', women's, misses', children's, toddlers', and infants' clothing, furnishings and accessories made of woven, knitted, plastic, or felt materials or leather or other materials (excluding protective garments made of rubber, plastics or coated materials); and semi-fabricated parts which will be fabricated into apparel.

(g) Lumber, plywood, veneers, shooks, millwork, wood containers, ties, posts, poles, piling, and other allied products, such as but not limited to, handles, wooden heels and lasts, shuttle points, and picker sticks.

(h) Books, magazines, motion pictures, periodicals, newspapers, maps, charts, and globes.

(i) The following chemicals and allied products:
(1) Crude and synthetic rubber.
(2) Synthetic textile fibers and yarns.
(3) Fermentation ethyl alcohol, acetone, and butyl alcohol.
(4) Synthetic butyl alcohol made from fermentation ethyl alcohol.
(5) Ethical and proprietary drugs and cosmetics.
(6) Household soaps and cleansers as defined in Ceiling Price Regulation 10.
(7) Natural and synthetic glycerin.
(8) Soap stock, raw and acidulated.
(9) Fatty acids.
(10) Paints, varnishes, and lacquers.
(11) Naval stores.
(12) All natural gums and resins.
(13) All vegetable waxes.
(14) All natural dyeing materials.
(15) All essential or distilled oil.
(16) Fats and oils for which ceiling prices are provided in Ceiling Price Regulation 6.
(17) The following oilseeds or nuts, their oils and fatty acids or combinations of these oils so long as in normal trade practice they retain their identity:

Babassu kernels.	Olive oil, edible, sulphur and other inedible.
Babassu oil.	Ouricury kernels.
Cacao butter.	Ouricury oil.
Cashew nut shell liquid.	Palm kernel oil.
Castor beans.	Palm kernels.
Castor oil.	Palm oil.
Coconut oil.	Perilla seeds.
Cohune kernels.	Perilla seed oil.
Cohune oil.	Poppyseed.
Copra.	Poppyseed oil.
Coquito kernels.	Rapeseed.
Coquito oil.	Rapeseed oil.
Corozo kernels.	Rubberseed.
Corozo oil.	Rubberseed oil.
Hempseed.	Sesame oil.
Hempseed oil.	Sesame seed.
Kapok seed.	Sunflower seed.
Kapok seed oil.	Sunflower seed oil.
Muru-muru kernels.	Tucum kernels.
Muru-muru oil.	Tucum oil.
Oiticica oil.	Tung oil.

(18) Whale oil.
(19) Sperm oil.
(20) Fish oils, including cod oil and shark oil.
(21) Peanut oil.
(22) Rice bran oil.
(23) Oleo stock, oil and stearine.
(24) Inedible tallows, greases, and fat-bearing and oil-bearing animal waste materials as defined in Ceiling Price Regulation 6, Amendment 1.
(25) Wool grease.
(26) Glue stock.
(27) Casein.
(28) Cotton linters.
(j) Crude petroleum and petroleum fuels and lubricants, including petroleum coke when used as fuel, and natural gas.
(k) Coke, coal chemicals, coke oven gas, as defined in General Ceiling Price Regulation, Supplement 13.
(l) Bituminous coal, anthracite coal, coal briquettes, charcoal, and fuel processed from anthracite or bituminous coal.
(m) Cattle hide, kips, and calfskins, as defined in Ceiling Price Regulation 2.
(n) Hogskins, woolskins, sheep and lamb shearlings, pickled lambskins, pickled sheepskins, horsehides, deerskins, alligator skins, and snakeskins.
(o) Leather, tanned and finished.
(p) Footwear, except rubber footwear.
(q) The following stone, clay, and glass products:
(1) Glass containers and glass closures.
(2) Portland cement.
(3) Ready-mixed concrete.
(4) Calcined gypsum plasters.
(5) Lime (construction, metallurgical, chemical, agricultural, plastic).
(6) Sand, gravel, and crushed stone, both aggregates and industrial.
(7) Light weight aggregates.
(8) Merchant clays.
(r) Primary metals and metallic alloys.
(s) All secondary metals and scrap.
(t) All metal powders.
(u) All metallic ores.
(v) All non-metallic minerals.
(w) All cast, rolled, drawn, or extruded metals and alloys which have not been further fabricated.
(x) Fabricated structural steel and steel plate and fabricated reinforcing bars.
(y) Passenger automobiles, as defined in Ceiling Price Regulation 1.
(z) Wood-cased and paper-wrapped lead pencils.
(aa) Precious jewelry, including any natural pearl, diamond, ruby, sapphire, emerald, or other genuine stone; any semi-precious or synthetic stone, cultured pearl, or group of cultured pearls if the base period price would have been $25 or more; or any mounting or other object of which one or more precious or semi-precious stones or pearls are a part when the value of the stones exceeds the value of the other parts.
(bb) Paintings, sculptures, and other works of art.

Appendix B

With respect to the following manufacturing materials, the change in net cost may be calculated up to March 15, 1951.

1. All commodities listed in Appendix A.
2. Wood pulp, paper, paperboard, and converted paper and paperboard products.
3. All imported materials, when purchased from a foreign supplier, or from a seller in the United States in substantially the same form as that in which imported (except for services normally performed by importers such as sorting or packaging), or after simple processing operations only, such as wool scouring.
4. All jute products containing more than 50 per cent by weight of jute.
5. All industrial services.

Appendix C

With respect to the following agricultural commodities and products processed therefrom, a current date may be used in calculating the change in net cost to you, subject to the limitations imposed in Section 21:

Fruits:	
Apples	Olives
For canning	For canning
For drying	Crushed for oil
Apricots	Oranges and tangerines
For canning	Peaches
Dried	For canning
Avocados	Clingstone
Blackberries	Freestone
Boysenberries	Dried
Cherries	Pears
Sweet	For canning
Sour	Dried
Cranberries	Pineapples, Florida
Dates	Plums
Figs for canning	For fresh consumption
Grapes, excluding raisins dried	For canning
Grapefruit	Raspberries, black
Lemons	Raspberries, red
Limes	Youngberries
Loganberries	
Tree-nuts:	
Almonds	Pecans
Filberts	Walnuts
Livestock and Livestock Products:	
Butterfat	Milk, wholesale
Chickens	Turkeys
Eggs	Beeswax
Field Crops:	
Barley	Peanuts
Beans, dry edible	Peas, dry field
Buckwheat	Rye
Corn	Sorghums for grain
Flaxseed	Wheat
Hay	
Oats	
Sugar crops:	
Maple sirup	Sorghum sirup
Maple sugar	Sugar beets
Vegetables:	
Artichokes	Kale
Beans, Lima	Lettuce
Beans, snap	Onions
Beets	Peas, green
Cabbage	Peppers, green
Cantaloupe	Pimientos
Carrots	Shallots
Cauliflower	Spinach
Celery	Tomatoes
Corn, sweet	Watermelon
Eggplant	Potatoes
Garlic	Sweet Potatoes
Tobacco:	
Flue-cured; types 11, 14	
Burley-type 31	
Cigar filler and binder types 42–44, 46, 51–55	
Cigar wrapper, type 61	
Cigar wrapper, type 62	
Dark air-cured, types 35–36	
Fire cured, types 21–24	
Maryland types, 32	
Pennsylvania seedleaf type 41	
Sun cured, type 37	
Miscellaneous:	
Popcorn	Peppermint Oil
Honey	Spearmint Oil
Hops	Tung nuts

Appendix D

This appendix contains a facsimile of OPS Public Form 8, "Manufacturer's Price Adjustment Report," required to be filed under sections 46 and 48 of this regulation. Printed copies of this form are available at OPS District and Regional Offices.

Instructions for Completing OPS Public Form No. 8

Who Must File

Every manufacturer subject to CPR 22 must file this report by May 28, 1951, as required by Sections 46 and 48 of the regulation.

Where Shall the Report Be Filed

Mail to Office of Price Stabilization, Washington 25, D. C. Use registered mail if Item 8 is completed.

Why Must the Report Be Filed

This report is designed to inform OPS of adjustments of pre-Korean prices and of proposed ceiling price increases.

How Many Copies Shall Be Filed

A single copy of this report is to be filed for each category or product line, even though the actual price computations have been arrived at by a method applying to a larger unit of your business. Reporting by categories or product lines is needed to facilitate classification and analysis. Many companies will report only one product line. (See instruction for Item 1 below.)

How To Complete the Form

(Make sure to read the regulation and refer to Appendix E for worksheets.)

ITEM 1. DESCRIBE THE CATEGORY OR PRODUCT LINE COVERED BY THIS REPORT. A "category" is defined in the regulation (Section 5) as "a group of commodities which are normally classed together in your industry for purposes of production accounting or sales." Examples of categories would be: wood office desks; domestic vacuum cleaners; domestic washing machines.

A "product line" is defined in the regulation (Section 15 (a) (1)) as "a group of closely related commodities which differ in such respects as style, model, or size and which are normally classed together as a product line in your industry. Generally speaking, each commodity in the same product line must serve the same purpose and must be made by the same manufacturing process from substantially the same materials." Examples of product lines would be: wringer type washing machines; felt mattresses; ball-point pens.

If the same product line or category was produced by more than one plant and sold at different base period prices, a separate report must be made for each plant and the plant indicated in completing this item.

ITEM 2. GIVE THE DATES OF THE BASE PERIOD USED. "Base period" refers to the period April 1 through June 24, 1950 or any previous calendar quarter ended not earlier than September 30, 1949 which you may elect to use. (See Section 4.)

ITEM 3. ESTIMATED 1950 DOLLAR SALES. Enter in this item the estimated 1950 dollar sales for *all* the commodities which are included in the category or product line for which the report form is being prepared.

ITEM 4. LABOR COST ADJUSTMENT FACTOR. Enter here the labor cost adjustment factor used pursuant to section 8 (e) or 9 (b) of the regulation. Note that it is the *adjustment factor* rather than the *adjustment* which is desired here. The adjustment factor is always a percentage which is applied to the sales or price figure to yield the dollars and cents labor cost adjustment. If you calculated a separate "labor cost adjustment" for each unit of your business enter the labor cost adjustment factor for the unit which produces the category or product line covered by the report.

ITEM 5. MATERIALS COST ADJUSTMENT FACTOR. If either of methods 1, 3, or 4 has been used for the commodities in this category or product line, you will have arrived at a materials cost adjustment factor under section 13 (d), 15 (c), or 16 (d). This adjustment factor is a percentage to be applied to the sales figure to arrive at the materials cost adjustment.

If you have used method 2, which provides for a separate analysis of material cost for each individual commodity, you will have no "materials cost adjustment factor" but only a dollars and cents "materials cost adjustment" (Section 14 (c)) to be added to the base period price. Give the adjustment figure for a selected commodity, which should be the best selling commodity of the category or product line. Show the actual base period price and identify the commodity.

ITEM 6. PRICE ADJUSTMENT RATIO. You may choose to preserve the price relationships established by the General Ceiling Price Regulation. In this case, you will have arrived at a "price adjustment ratio" under Supplementary Regulation 2 to this regulation. Enter here the ratio which will be applied uniformly to GCPR prices.

ITEM 7. CERTIFICATION REGARDING PROPOSED CEILING PRICE INCREASES OVER GENERAL CEILING PRICE REGULATION. All manufacturers filing this report must complete items 1–6 of the report and sign the certification even though they are not reporting any proposed ceiling price increases in item 8.

ITEM 8. PROPOSED CEILING PRICE INCREASES. (a) Identify the commodity in sufficient detail comparable to that which a fully completed invoice would show. Identify also the physical unit to which the proposed ceiling price refers (for example, pound, dozen, piece).

(b) Give here sufficient information to show the nature of the price computed: largest buying class of customer, delivery terms, cash and other discounts and other important terms and conditions of sale.

(c) Estimated sales in 1950 should be only for the specific commodity for which there is a proposed ceiling price increase, but should include sales to all customers.

(d) Insert the base period price to the largest buying class of purchaser which you determined for the commodity in accordance with Section 6 of the regulation.

(e) Indicate your GCPR price for the commodity.

(f) Indicate the proposed ceiling price as calculated under the provisions of this regulation.

(g) Divide the proposed ceiling price (column (f)) by the GCPR price (column (e)). This will indicate the percentage price increase over the GCPR price which is being proposed.

(h) If you used method 2 for calculating the materials cost adjustment separately for each commodity included in the category or product line covered by this report, then you must show here the materials cost adjustment obtained for the commodity for which a proposed ceiling price increase is shown. If you used method 1, 3 or 4 no entry is required in this column since the adjustment factor shown in Item 5 of the report will apply.

OPS Public Form No. 8

UNITED STATES GOVERNMENT
OFFICE OF PRICE STABILIZATION
WASHINGTON 25, D. C.

Form approved
Budget Bureau No. [illegible]

MANUFACTURER'S PRICE ADJUSTMENT REPORT
Pursuant to Ceiling Price Regulation 22

See the reverse side of this form for instructions.

The individual company information reported on this form is for use in connection with the defense mobilization program. Persons who have access to individual company information are subject to penalties for unauthorized disclosure.

Name of Firm	Address (Street and No.) (City, Zone) (State)	(Code for item 1)

1. Describe the Category or Product Line Covered by This Report	2. Give the Dates of the Base Period Used	3. Estimated 1950 Dollar Sales	4. Labor Cost Adjustment Factor
....	From .... To	$..................	....

5. Materials Cost Adjustment Factor

(Complete this part if method 1, 3, or 4 is used)

Method 1 ☐ Method 3 ☐ Method 4 ☐ Adjustment Factor ....

(Complete this part if method 2 is used)

Adjustment Computed for Selected Commodity $.................. Base Period Selling Price for This Commodity $.................. Name of Commodity ....

6. Price Adjustment Ratio .... (for use only under Supplementary Regulation 2 to CPR 22)

7. Certification Regarding Proposed Ceiling Price Increases Over General Ceiling Price Regulation

I certify that no ceiling price calculated under the regulation for commodities covered by 1 above exceeds the GCPR ceiling price, except as listed in 8 below and I understand that an increase proposed below shall be effective 15 days after OPS receives this report, but not prior to May 28, 1951, unless I am notified by OPS that the price has been disapproved or that more information is required.

Notice: A willful false return is a criminal offense.

Signature of officer or authorized agent of firm	Title	Date

8. Proposed ceiling price increases

Name and specification of item (include physical unit priced) (a)	Class of customer and terms of sale (b)	Estimated 1950 dollar sales (c)	Base period price (d)	GCPR price (e)	Proposed price (f)	Proposed price as a percentage of GCPR price Col. (f) ÷ (e) (g)	Materials cost adjustment (method 2 only) (h)	(For OPS use only)

This form may be reproduced without change. (Attach continuation sheets as necessary. Identify columns with same letters used above.)

APPENDIX B

This appendix contains three "worksheets" for certain of the calculations required in determining ceiling prices under this regulation. No actual copies of such worksheets will be printed for distribution by OPS. They are shown only to indicate the content and arrangement of data appropriate for certain important calculations, for a record of these calculations for your own use, for examination by OPS representatives, and for submittal on request to OPS. Any other arrangement which presents the same data and calculations is acceptable.

The worksheets comprise: Worksheet 1, "Labor Cost Adjustment Worksheet," for use in connection with Sections 8 and 9; Worksheet 2, "Materials Cost Adjustment Worksheet for Methods 1 and 4," for use in connection with Sections 13 and 16; and Worksheet 3, "Materials Cost Adjustment Worksheet for Methods 2 and 3," for use in connection with Sections 14 and 15.

Note that the worksheets do not cover all necessary calculations under the regulation for which systematic working papers are necessary. For example, the final determination of a ceiling price will require also computation of actual adjustments (based on the adjustment factors), the addition of these to base period prices, and the application of customary differentials to determine prices to different classes of customers. Moreover, the worksheets are designed for the more usual situation and will not necessarily fit all special computations provided for by the regulations.

Worksheet 1

CPR 22

LABOR COST ADJUSTMENT WORKSHEET

Name of Firm..................
Street Address..................
City, postal zone, State..................

Instruction: One calculation, as shown below, may be made for the entire company or a separate calculation for each unit of the business, as provided in section 7 of the regulation.

1. Method used (check one)
 ☐ Entire company ☐ Unit located at .... and identified as ....
2. Net sales for year ending .... $..........
3. Factory payroll for year covered in (2).................. ....
4. Labor cost ratio (line 3 divided by line 2).................. ....
5. Wage increase factor (from Supplement: Line G).................. ....
6. Labor-cost-adjustment factor (line 4 multiplied by line 5).................. ....

SUPPLEMENT: COMPUTATION OF WAGE INCREASE FACTOR

(The method indicated below need not be followed precisely. Some other method more suitable to your records and accounts may be used as provided in Section 8 of the regulation.)

A Base period payroll (See section 8 (c)) $.................., (covering period from .... to ....).
B Recomputation of payroll:

(a) Type of labor	(b) Hours included in base period payroll	(c) Hourly rate of pay as of 3/15, 1951	(d) Recomputed payroll (c) times (b)
....	....	....	....

C Total recomputed payroll without fringe benefits (total of column (d) in B).................. $..........
D Value of increase in fringe benefits since base period payroll.................. ....
E Recomputed payroll including increase in fringe benefits (line C plus line D).................. ....
F Excess of recomputed payroll over base payroll (line E minus line A).................. ....
G Wage increase factor (line F divided by line A).................. ....
 Enter this amount in line 5 above.

thod 2

MATERIALS COST ADJUSTMENT WORKSHEET
FOR METHODS 1 AND 4

Name of Firm..
Street Address..
City, Postal Zone, State..............................

truction: If you use Method 1 and your business has more than one plant you must make a separate calculation for each plant (or smaller unit if you prefer.) If you use d 4, you must make a separate calculation for each product line or category.

COMPUTATIONS BELOW ARE UNDER: ....

Method 1 (check and complete (1) or (2)):
(1) ☐ for entire business consisting of one unit
(2) ☐ for unit located at..............................and identified as..
(Name of unit)

Method 4 (check and complete (1) or (2)):
(1) ☐ for product line identified as..
(2) ☐ for category identified as..

ntify the Accounting Period used for this computation and corresponding sales data:
(a) (1) For Method 1: Year ending..............................
Month, day, year
(2) For Method 4: Period beginning on..............................and ending on..............................
Month, day, year Month, day, year
(b) Net Sales for above period for category, product line, or other unit indicated in (1) $..........

licate the base period used for determining material costs (section 4): From .... to ....

nges in Materials Costs

(a) rial used during ounting period	(b) Physical amount of material used during accounting period	(c) Cost per unit at end of base period	(d) Cut-off date used (Dec. 31, 1950 etc.—specify)	(e) Cost per unit at cut-off date	(f) Change in net cost per unit (e)−(c)	(g) Dollar cost increase (f)×(b)	(h) Subsection(s) of sec. 18 used for determining costs per unit for end of base period and cut-off date
....	....	....	....	....	....	....	....

regate dollar cost increase (total of increases minus total of decrease in col. g of 4) ....

terials cost adjustment factor (divide figure derived in 5 above by Net Sales shown in 2 (b) above) ....

thod 3

MATERIALS COST ADJUSTMENT WORKSHEET
FOR METHODS 2 AND 3

Name of Firm ....
Street Address ....
City, Postal Zone, State ....

truction: If you use Method 2 you must make a separate calculation for each commodity. If you use Method 3, then the calculation must be for the best selling com y in the product line which is to be priced.

Method used:
(1) ☐Method 2 (complete b).
(2) ☐Method 3 (complete b and c).
If Method 2 is used insert name of commodity. If Method 3 is used insert name of best selling commodity. Commodity ....
If Method 3 is used describe the product line ....

licate the base period used for determining material costs (see section 4): From .... to ....

nges in materials cost

(a) terial used	(b) Physical amount of material used in one unit of the commodity	(c) Cost per unit at end of base period	(d) Cut-off date used (Dec. 31, 1950, etc.—specify)	(e) Cost per unit at cut-off date	(f) Change in net cost per unit (e)−(c)	(g) Dollar cost increase (f)×(b)	(h) Subsection(s) of sec. 18 used for determining costs per unit for end of base period and cut-off date
....	....	....	....	....	....	....	....

terials cost adjustment (total of increases minus total of decreases in column (g) of 3) (this is the final result under Method 2) .... $..........

terials cost adjustment factor (For Method 3 only):
(a) Base period price per unit for commodity named in 1 (b) .... $..........
(b) Divide result obtained in 4 by entry for 3a (this is the final result under Method 3) ....

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